Daily Report

Latin America

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Observers May Be Withdrawn Unless Cease-fire Prevails

PY2202232595 Madrid EFE in Spanish 2052 GMT 22 Feb 95

[FBIS Translated Excerpt] Santiago, 22 Feb (EFE)—General Raul Tapia, chief of staff of the Chilean National Defense, has warned that if the appropriate conditions do not prevail for the observers to verify the cease-fire at the Ecuadoran-Peruvian border, it is possible they may be withdrawn.

Tapia made this comment in an interview published in today's issue of LA SEGUNDA.

General Tapia recalled that the agreement signed by the two countries in conflict and the four guarantor countries on 17 February in Brasilia "clearly says that the observers will carry out their mission if there is a 'cease-fire'." He added: "Perhaps the reconnaisance mission will not be able to fulfill its task if fighting is going on. How can they visit the area under those conditions?"

General Tapia said that the latest contact with the Chilean observers was 48 hours ago.

Tapia explained that the Chilean military officers had to leave quickly from Brasilia for the border zone "even without the appropriate clothing. They went to a meeting in Brasilia where it was decided they should go to the conflict zone. They even had to get new clothing. They are traveling in Brazilian Air Force planes." [passage omitted]

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Cuba

Trade Minister Predicts 'Marked Improvement' in Trade

FL2102152795 Havana Radio Rebelde Network in Spanish 1255 GMT 21 Feb 95

[From the "Doing Radio" program]

[FBIS Translated Text] Foreign Trade Minister Ricardo Cabrisas, after signing the first documents with the Chinese under the seventh session of the Intergovernmental Commission, said in Beijing today that by the end of this year Cuba will show an increase in commercial trade—not highly pronounced, but marked improvement will be seen.

Official: Sale of Sugar Complexes 'Not Being Discussed'

FL2102152995 Havana Radio Progreso Network in Spanish 1200 GMT 21 Feb 95

[From the "First Thing" program]

[FBIS Translated Text] Octavio Castilla, vice foreign investment and economic cooperation minister, stated that the participation of foreign capital in Cuba's sugar industry does not include the sale of complexes and that this issue is not being discussed.

Economic Changes Hearing on ANPP Meeting Agenda

FL2102152895 Havana Radio Rebelde Network in Spanish 1000 GMT 21 Feb 95

[From the "Doing Radio" program]

[FBIS Translated Text] Today's GRANMA carries an article on the forthcoming sessions of the standing commissions of the National Assembly of the People's Government [ANPP] on 23 and 24 February. The article by Isabel Morales, adds that projected financing schemes for the sugarcane harvest, progress in fish farming, and compliance with Decree-Law 149 on profiting are among the issues which the ANPP commissions will analyze. The ANPP agenda also include drafting a bill modifying the Family Code and a public hearing on political and economic transformations during the special period.

The ANPP commissions on services; the Turquino Plan; economic affairs; constitutional and judicial affairs; health, sports, and the environment; and production will meet on the eve of the solemn session summoned to commemorate the centennial of the war of independence. Likewise, the education, culture, science and technology commission will meet at the Capitanes Generales Palace where Eusebio Leal will give an address on the roots of Cuban history on 23 February.

The commissions on local government bodies, international relations, national defense, and youth affairs will meet on 24 February.

Raul Castro Congratulates Camaguey Fishermen

FL2202031495 Havana Radio Rebelde Network in Spanish 0000 GMT 22 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Army General Raul Castro sent a letter of congratulations to fishermen in Sibanicu Municipality, Camaguey, who have achieved the 1994 goal of having caught 500 tonnes of fish.

In the letter, Raul Castro stated that this accomplishment is very significant because it increases the people's food supply which is one of the main missions encouraged by Commander in Chief Fidel Castro. He added that the fishermen's success is an indication that they understand that nowadays beans are more valuable than guns.

Politburo Member Tours Havana Province Plantations

FL2202181795 Havana Cuba Vision Network in Spanish 0100 GMT 22 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] Jose Ramon Machado Ventura—a Politburo member—Havana Province First Secretary Candido Palmero, and other officials have toured Havana Province plantations just as the major part of the Havana Province winter harvest is about to begin. Machado was interested in the state of plantations and asked about projections for the potato, garlic, and onion harvest in Alquizar, Guira de Melena, and Quivican Municipalities. The delegation visited a Guira de Melena farm of [words indistinct] and the behavior of new imported varieties and the sample of the 21 varieties that Guira de Melena planted in the current campaign. The delegation was briefed at the Rodrigo Martinez farm, in Quivican, on contracts and on treatment of the garlic and onion crops to obtain high yields:

[Begin Machado recording] The outlook is much better this year, not only because of the weather—which, undoubtedly, has helped—but also because we have seen better preparation during planting, even though the seeds arrived late. All the necessary precautions were taken during the planting campaign. But the most important factor is the dedication and care of the workers, therefore, we should have a good harvest. [end recording]

Havana Province has approximately 2,000 caballerias of vegetable and tuber crops, mostly potatoes, boniato, and tomatoes, among others. The potato harvest is scheduled to begin this weekend.

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National Infant Mortality Rate Reported

FL2202031695 Havana Cuba Vision Network in Spanish 0100 GMT 22 Feb 95

[From the "NTV" newscast]

[FBIS Transiated Text] Cuba registered an infant mortality rate of 9.1 per every 1,000 live births during January and the first 14 days of February. Despite the limitations, most provinces [words indistinct] work, even though it is important to double the vigilance and coordinated effort of meeting the standards of the mother-infant program. A recent meeting in Ciego de Avila examined the program in the Provinces of Cienfuegos, Sancti Spiritus, Ciego de Avila, and Camaguey. It was revealed that the provinces with the lowest rates are: Cienfuegos, with 3.1; Havana City, with 6.3; Camaguey, with 6.5; Matanzas with 6.8; Havana with 7.5; and Holguin and Santiago de Cuba, with 8.3 each.

Transportation Inspectors To Monitor Bus Lines

FL2102175195 Havana Radio Progreso Network in Spanish 1200 GMT 21 Feb 95

[Report by Rosa Maria Godoy; from the "First Thing" program]

[FBIS Translated Text] In Havana City, there is a rumor running around which says that transport inspectors, popularly known as transportation inspectors [Amarillos], will no longer perform the task that they had been doing, which involved controlling passenger transportation. Far from the truth, the inspectors are going to fulfill a more important task. They will be facilitating a better use of state vehicles by checking the vehicle's route sheet, as well as organizing the lines of people waiting to be transported by the bus service. The inspectors are not going to disappear. They are undergoing a reorganization process which calls for them to be present at bus stops wherever there is a great number of people waiting. In Havana City there are 224 of these stops and of these 142 belong to the metro bus service system. As of this week, the inspectors will have a new work schedule—from 0600 to 1350 and from 1320 to 2050—allowing for a greater number of inspectors to be present during the peak times of passenger travel. According to Miguel Angel Cabrera, Havana City's provincial transport director, this reorganization is aimed at finding alternatives to improve the inspectors work conditions and reinstate their authority, which was limited as a result of an absurd disposition, implemented by a bureaucrat who is no longer in charge of these inspectors.

Equipment Repairs at El Salvador Mill Discussed

FL2102163595 Havana Radio Rebelde Network in Spanish 1255 GMT 21 Feb 95

[Report by Guantanamo correspondent Jose Mejias; from the "Doing Radio" program]

[FBIS Translated Text] On 22 February the Provincial Assembly of the Peoples' Government will be held in El Salvador Municipality, Guantanamo. I recently went to El Salvador Mill, one of the most efficient in the province, and talked to some of the workers about what they considered to be the main problems in the sugarcane harvest in this province.

[Begin recording] [Unidentified speaker] In appraising our particular agroindustrial complex, we have seen that agriculture has had the greatest problems. Recently we have noticed a shortage of tires, and the equipment is not being fully utilized due to a lack of resources. We have worked very hard, but still have not been able make all the equipment operational in order stabilize the grinding as we all hoped for. We are proud to say that the repairs have been successful despite the fact that this year we have had less resources in terms of materials and tools for the mill.

[Mejias] Regarding mill repairs, as a young engineer, do you believe it is reasonable that shortly after being repaired a mill runs for only two or three hours and then must be shut down for four, five, perhaps 24 hours for breakdown repairs?

[Unidentified speaker] Well, based on the experienced of our own complex, when repairs are done properly, and you know what you are doing, stoppages will occur but should be brief in order to make calibrations and correct coolant circulation problems, leaks, etc. To be down for 24 hours for repairs is not reasonable —when one knows what one is doing, this type of problem is not reasonable. [end recording]

As I noticed recently, the sugarcane harvest might be the factor spoiling Guantanamo Province's hopes to host the 26 of July ceremony. That is why this young engineer and veteran mill workers are endeavoring to attain the highest possible yield from the sugarcane.

Inter-Caribbean Affairs

Caricom Conference Issues Communique

FL2302024995 Bridgetown CANA in English 2248 GMT 22 Feb 95

[FBIS Transcribed Text] Belize City, Belize, Feb 22, CANA—Following is the text of the communique issued at the end of Caribbean Community Sixth Heads of Government Inter-Sessional meeting held in Belize: "The Sixth Inter-Sessional Meeting of the Conference of Heads of Government of the Caribbean Community was held in Belize City, Belize on 16-17 February 1995.

"Heads of government in attendance were: Hon. Lester Bird, prime minister and minister of Foreign Affairs, Antigua and Barbuda; the Rt. Hon. Hubert Ingraham, prime minister of the Commonwealth of the Bahamas; Hon. Owen Arthr, prime minister of Barbados; The Rt. Hon. Manuel Esquivel, prime minister and minister of

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Finance and Economic Development, Belize; His Excellency Dr. Cheddi Jagan, president of the Cooperative Republic of Guyana; The Rt. Hon. Percival J. Patterson, prime minister of Jamaica; Dr. the Rt. Hon. Kennedy Simmonds, prime minister and minister of Foreign Affairs, Home Affairs, Finance and Caricom Affairs, St. Kitts and Nevis; The Rt. Hon. John Compton, prime minister and minister of Finance, Planning and Development, Saint Lucia; The Rt. Hon. Sir James Mitchell, prime minister and minister of Finance, St. Vincent and the Grenadines; Hon. Patrick Manning, prime minister of Trinidad and Tobago. Grenada was represented by Senator the Hon. Dennis Noel, minister of state in the Ministry of External Affairs and National Security. Dominica and Montserrat were not represented at the Conference.

"The prime minister of Barbados, outgoing chairman of the Conference, delivered a statement at the opening ceremony. In his statement, he noted that the past six months had been a challenging period for him as chairman of the Conference, but expressed full confidence in his successor's ability to lead the integration movement forward.

"The meeting was officially opened by Rt. Hon. Manuel Esquivel, prime minister of Belize. In his opening statement, the prime minister welcomed the delegates to the Meeting and pointed to the many challenges facing the Community in preparing for the 21st Century. In this context, he noted that: "We are currently working against the clock to ensure continued viability, sustainable development, and competitiveness in order to meet the challenge of trade liberalisation. We in Caricom are under pressure in view of the potential loss of the benefits we enjoy under the United States Caribbean Basin Initiative and other trade agreements with the NAFTA countries. We must therefore urgently re-examine our structural preparedness to survive and participate as strong players in the new environment of hemispheric trade."

"The secretary-general of Caricom also delivered a statement. Presentations made to the Conference: Discussions with the President of the Inter-American Development Bank (IDB): "Heads of Government welcomed Dr. Enrique Iglesias, president of the IDB. In his introduction, the chairman stated that the IDB had stood by Caricom countries during the periods of the region's distress. He outlined a number of issues and development challenges presently facing the Community which he noted coincided with the major areas of focus in the IDB. The major issues raised were: access by Caricom member states to IDB resources and facilities; the situation regarding access to resources by Caricom Member States which are not members of the IDB; the debt issue; policy discussion and consultation between Caricom Member States and the IDB; IDB support for certain priority activities. The full text of the Chairman's statement is being issued separately.

"In response, Dr. Iglesias noted the progress made to date by Caricom States in the area of economic reform but noted that the process was still incomplete. He informed the Conference of the steps being taken by the Bank to make it more effective in responding to the needs of its borrowing countries and to changes in the international economic environment. He also outlined the steps being taken by the Bank to address the problem of debt.

"Heads of Government noted the undertaking by the president of the IDB that his organisation would increase its contacts with regional officials, given the peculiar needs of the r egion's economies.

"Heads of Government welcomed the Agreement signed on 16 February 1995 between the IDB and the Caribbean Development Bank (CDB) which would allow the smaller Caricom non-member states of the IDB to access the Bank's Multilateral Investment Fund (MIF). They also recorded their appreciation for the arrangements concluded with the IDB, which would assist Caricom Governments to undertake the necessary follow-up activities arising out of decisions taken at the Summit of the Americas.

Commission on Global Governance:

"Heads of Government received and welcomed a presentation by Sir Shridath Ramphal, co-chairman of the Commission on Global Governance. Supplementary presentations were made by the following regional representatives on the Commission; Dr. Oscar Arias, Dr. Manuel Camacho Solis, and Dr. Enrique Iglesias. Heads of Government agreed that the issues raised were of special significance to the Caribbean Community and mandated the 21st Meeting of the Standing Committee of Ministers responsible for Foreign Affairs scheduled to be held in May 1995, and the 43d Meeting of the Common Market Council, to examine the Commission's Report and to report to the 15th Conference of Heads of Government, which is scheduled to meet in July 1995.

The Single Market and the Economy:

"Heads of Government recalled the decision taken at their 15th Meeting to place emphasis on the establishment of the Single Market and Economy and to make it the centre-piece of the discussions at their 6th Inter-Sessional Meeting. In discussing this issue, they received a report from the prime minister of Barbados, the head of government with lead responsibility for the work towards the establishment of the Caricom single market and economy. The defining elements of a single market are those which permit the free movement of, and similar treatment among member states for goods, services, and factors of production; the presentation of a common front to the rest of the world in relation to external economic and trade issues; effective payments for goods and services (current account) and for capital transactions (capital account) with minimum additional

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cost or opportunity for arbitrage; and comparable conditions for economic operators in different parts of the region. The report focused on these four main themes.

Heads of Government agreed that with the decision to establish a free trade area of the Americas, it was necessary to determine what must be done to bring about new forms of collaboration among themselves, including the posture of their countries in their interface with the world community. They also agreed that proper instruments needed to be put in place in order to take advantage of them in their countries. There was also need to enact legislation, which they recognised would take time. A number of other complex issues need to be grappled with. In this regard, they noted the lack of human resources, particularly in certain critical fields. Heads of Government remained convinced, however, that there was urgent need to advance the work of the members of the Common Market towards the development of a single market and economy. Towards this end, they entered into a detailed examination of the following issues:

Free Trade:

"Heads of Government welcomed actions taken by member states since the last meeting of the conference to complete outstanding commitments to free trade which included the recent ratification by Antigua and Barbuda and Jamaica of the new Article 29A to facilitate unimpeded trade in agricultural commodities; the entry into force on 6 February of the revised Schedule IX on oils and fats, following ratification by Antigua and Barbuda and Montserrat; the commitment from Antigua and Barbada and Barbados to remove the licensing requirement for Caricom goods by 1 April; and information that all member states have now removed the discriminatory element in the application of salesperson licenses, where they apply to Caricom salespersons.

Rules of Origin:

"The amended Rules of Origin which have been agreed for goods for Common Market treatment were implemented in 1993.

"Right to Establish, Own and Manage Production Facilities and to provide Services on the Same Basis as Nationals:

"Heads of Government reaffirmed the need to provide for the right of Caricom nationals to establish enterprises in member states and to provide services on the same basis as nationals of member states. They endorsed the work being done by the secretariat to revise the Treaty of Chaguaramas to provide for such treatment under the single market and economy.

"Heads of government mandated the secretariat to re-examine the decision of the Conference on free movement of skills and the issue of removing the requirement for alien landholding licenses and to make detailed recommendations for action to the 16th meeting of the Conference in July 1995.

Right to Transfer Capital, Dividends and Profits and to Raise Resources on the Capital Markets:

Heads of Government received an interim report of the working group on the financing for Caribbean development of capital markets in Caricom. They anticipated that the final report will be available for their consideration in July, 1995.

Common External Tariff:

Heads of Government commended the Governments of Jamaica and Trinidad and Tobago on their implementation of the second phase of the CET on 1 January, 1995 and the implementation of the first phase by Antigua and Barbuda on the same date. They welcomed the commitments by Barbados, Grenada, and Guyana to implement the second phase on 1 April, 30 May, and 30 June 1995 respectively. They noted that the member states of the OECS are awaiting the results of a study being undertaken by the OECS secretariat to determine the impact of the CET on their revenue base and industrial sector. Belize requested and was granted a deferrment of action to April 1996, at which point the second phase would be implemented.

Effective payments for Goods and Services and for Capital Transactions:

Heads of Government reaffirmed their desire to restore convertibility of currencies for all countries within the region regarding this as an essential first step towards the establishment of a Caricom Monetary Union. They noted that the major constraint to monetary union was the absence of economic convergence in the region. In this regard, they accepted the proposal by the Council of Central Bank Governors to establish a mechanism to monitor the degree of convergence in macro-economic policies and performance in the region.

Avoidance of Multiple Taxation and Application of [word indistinct] Tax:

Heads of Government noted that the Intra-Caricom Double Taxation Agreement (DTA) agreed in July 1994 had been signed by nine member states. The DTA entered into effect on 1 January 1995 and is now operational between Belize, Jamaica, and Trinidad and Tobago which have ratified the Agreement.

Movement of Skilled Persons:

Heads of Government agreed that the arrangement to permit graduates of the University of the West Indies, University of Guyana, and the University of the Virgin Islands to enter and work in their territories without the requirement of a work permit was a necessary first step in this process of the movement of graduates and skilled persons. They agreed that this right should be less discriminatory, and accordingly mandated the secretariat to examine the situation in respect of Caricom nationals from other universities, and to report to the 16th meeting of the Conference of Heads of Government.

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Summit on Tourism, Trade, and Transport:

Heads of Government reviewed the decision taken at the 15th meeting of the Conference in July 1994 that a second tourism summit be convened in 1995 and that this summit should be on an ACS-wide basis. They reiterated the importance of tourism to the economies of the region, but agreed that the issues to be discussed at the Summit should be expanded to include trade and transport. They also accepted the offer of Trinidad and Tobago to host the summit over a two-day period during the week prior to CARIFESTA scheduled to begin on 19 August, 1995.

Law of the Sea:

Heads of Government welcomed the entry into force of the 1982 United Nations convention on the law of the sea on 17 November 1994. They noted that the first substantive meeting of the International Seabed Authority will take place from 27 February to 17 March 1995 and urged all Caricom member states to attend the meeting and to play an active role in the work of the Authority and its various Committees.

Summit of the Americas:

Heads of Government reaffirmed their commitment to the Declaration of Principles and Plan of Action adopted at the Summit of the Americas and approved a strategy and programme to be pursued for the region's effective execution of the follow-up actions arising from the Summit. In this regard, several heads of government indicated a willingness to assume responsibility for advancing the region's position in specific areas. The Conference also agreed to promote broad-based discussions nationally and regionally on the issues arising from the Summit and the follow-up activities.

Debt:

Heads of Government expressed regret that the subject of debt had not received adequate consideration during the Summit of the Americas. They noted the need for financial resources to promote development and the treatment of the debt problem. They looked forward to the proposals of the Committee on Hemispheric Financial Issues which would review the debt problem. Acknowledging the constraining impact of the debt burden on the region, they urged concerted action to secure debt relief, soft loans, debt rescheduling, grant aid, and a development fund as an imperative for economic growth. Heads of Government were unanimous in their view that the subject of debt be kept high on the Region's agenda.

Relations with North America:

The USA:

Heads of Government expressed their full support with appreciation for the bill entitled, "Caribbean Basin Trade Security Act," which was introduced at the first session of the 104th Congress by Congressman Crane and co-sponsored by a bipartisan group of Congressman. They observed that the bill would strengthen economic ties between the USA and the CBI region and could stimulate economic growth by providing the assurances required by potential investors. They urged the U.S. administration and the legislative bodies to give their full support to ensure the early passage of the bill.

Canada:

Heads of Gvoernment noted that the Summit proposed with the prime minister of Canada appears unlikely to be held in 1995 due to scheduling constraints. They anticipated that the Summit will be convened early in 1996. Heads of Government agreed that the 7th meeting of the Caricom/Canada Joint Trde and Economic Committee (JTEC) should be convened during 1995 and mandated the secretariat to discuss with the relevant authorities in Canada the possibility for such a meeting being held in September, 1995.

Bananas:

Heads of Government expressed their strong concern that the U.S. trade representative had decided to invite suggestions on the areas for retaliatory action against the European Union and to initiate action against Colombia and Costa Rica which had implemented the Framework Agreement on Bananas with the European Union, on the strength of the USTR's preliminary finding that the EU Banana Regime was discriminatory. They reiterated their position that this action against the regime would have a direct and devastating impact on the Caribbean bananas industry. They recalled the agreement reached in Miami with the United States trade representatives to establish a technical working group to initiate dialogue on this matter and agreed to propose to the U.S. that the first meeting be held on 2-3 March, 1995 in Saint Lucia.

Air Transportation:

Heads of Government received a detailed report from the prime minister of Antigua and Barbuda on the successful restructuring measures which have achieved a significant improvement in the operating performance of LIAT since responsibility for the management of the airline was assumed by the Governments of Antigua and Barbuda and Trinidad and Tobago. Against this background, the two Governments tabled a joint proposal for the privatisation of the airline in the shortest possible time on the basis of majority ownership by regional investors including employees. The proposal included the assemption of a substantial portion of the liabilities of the airline by the shareholder governments in exchange for the forgiveness by the airline of the subventions owed by the shareholder governments. Heads of Government agreed in principle to the joint proposal, and to the extension of the terms of the current board of directors and executive management of the airline to 30 June 1995 or until the privatisation of the airline is achieved, whichever is sooner.

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In a related matter, Heads of Government noted that eight member states had indicated their acceptance of the text of the proposed multilateral agreement concerning the operation of air services within the Caribbean Community. This Agreement provides for the formalisation of the route rights of member states and for the agreement's entry into force upon the deposit of the eighth instrument of ratification with the secretary-general of the Community.

World Summit on Social Development:

Heads of government discussed the Region's position with regard to the World Summit on Social Development which is scheduled to take place in Cophenhagen, Denmark in March, 1995. They received a delegation from the Caribbean Policy Development Committee (CPDC), an umbrella body of regional NGOs, which have been involved in the preparatory activities for the Conference and which had articulated a regional position for consideration by the Heads of Government.

Heads of Government agreed that the issues before the Summit were of great concern to the sustainable development of the region and also agreed that there should be the maximum possible participation by Caricom member states in the Summit's deliberations. They agreed that a global approach was necessary to effect a partnership between the developed and developing countries to develp a strategy for debt relief, human development, and economic growth.

Haiti:

Heads of Government received a report on the ministerial mission to Haiti. They noted that the mission had been well received by the Government of Haiti and that a number of areas had been identified in which Caricom could make available its experience and technical assistance.

Heads of Government agreed that, should the Government of Haiti formally make a request to the Community, Caricom states would be willing to assist Haiti in the following areas, among others: assistance to the Electoral Council similar to that extended in 1990-1991; assistance in the area of protocol and conference services; assistance in the reform of the public administrative systems in Haiti. They decided that the Community's future relations with Haiti would be carried forward by a Caricom/Haiti Joint Commission which would in the first instance concentrate on collaboration in education, agriculture, health, public administration, tourism, trade, and culture. Heads of Government reiterated that the potential of the Caribbean Region's development rested on the development of all the countries of the region. They welcomed the assistance being provided by the IDB to Haiti, particularly the Bank's commitment to that country through the accelerated disbursement of funds.

The Association of Caribbean States:

Heads of Government noted developments related to the operationalisation of the Association of Caribbean States. They welcomed the ratification by five Caricom members of the convention establishing the ACS and the progress made by the remaining signatory States towards early ratification. They looked forward to the early entry into forces of the convention.

Movement of Hazardous Substances:

The Heads of Government of the Caribbean Community meeting at their 6th inter-sessional meeting expressed their very grave concern about the recurring threat to the region posed by any shipment of hazardous and radioactive material through the Caribbean Sea. The Heads condemn, totally oppose any such shipment taking place, and call on those parties involved to desist from using the Caribbean Sea with its fragile eco-systems for such purposes or in any similar manner that threatens our people, resources eco-system, and the industrial interests of our countries.

The Heads of Government are particularly disturbed that in spite of their previous condemnation of such traffic in view of clear indications of the dangers to the region posed by the transit of such hazardous material, this prospect continues to arise.

The Heads of Government emphatically reiterate their position articulated since 1992:

"1. that shipments of plutonium and other radioactive or hazardous material should not traverse the Caribbean Sea;

2. that the Caribbean should not be used for the testing of nuclear devices; and

3. that the Caribbean Sea should be declared a nuclear free zone for purposes of shipment, storing, or dumping of any radioactive or hazardous substance or toxic waste."

The Heads of Government call on those involved in the (shipment of hazardous and toxic substances to respect the clear position of the Caribbean Community in this matter now and in the future.

Belize/Guatemala Relations

Heads of Government received a report from the Deputy Prime Minister and Minister of Foreign Affairs of Belize on the status of Belize/Guatemala relations and reaffirmed their solidarity and strong support for Belize's sovereignty and territorial integrity.

Guyana/Venezuela Relations

Heads of Government expressed satisfaction at progress being made under the McIntyre process to arrive at a peaceful resolution of the controversy arising out of Venezuela's claim to part of Guyana's territory and reaffirmed their strong support for Guyana's sovereignty and territorial integrity.

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Suriname

Heads of Government agreed to approve the application by Suriname for membership in the Caribbean Community and Common Market with effect from the Sixteenth Meeting of the Conference on terms and conditions agreed by both sides.

CANDIDATURES:

Heads of Government reiterated their firm support for the candidature of Ambassador Christopher R. Thomas of Trinidad and Tobago for re-election to the position of assistant secretary general of the OAS.

CARIFESTA VI

Heads of Government were given an update by Trinidad and Tobago on plans for CARIFESTA VI and member states were invited to participate as vigorously as they had done previously.

CONGRATULATIONS

Heads of Government took the opportunity to congratulate the Rt. Hon. John Compton on 40 years of distinguished and exemplary service to Saint Lucia as a legislator. They expressed their appreciation for his tremendous contribution to, and leadership in the regional integration movement. They presented him with a gift in recognition of the years he has spent in service to Saint Lucia and to the wider community.

APPRECIATION

Heads of Government expressed their appreciation to the Government and people of Belize for the warm welcome and hospitality accorded them during their stay in Belize. They expressed satisfaction for the efficient arrangements made for the conduct of their Meeting. They expressed the view that the opportunity for greater contact and understanding between the people of Belize and the people of the other Caricom States had served to strengthen further the bonds of solidarity and commitment to the regional integration process.

Date and Venue of the Sixteenth Meeting of the Conference

Heads of Government agreed that the Sixteenth Meeting of the Conference would be held at the Headquarter of the Caribbean Community, Georgetown, Guyana, from 4-7 July 1995

Haiti

Anti-Carter Grafitti Observed Throughout Capital

FL2202215095 Port-au-Prince Radio Metropole in French 1900 GMT 22 Feb 95

[FBIS Translated Text] [monitored in progress] ... to protest the arrival of former U.S. President Jimmy Carter in Port-au-Prince on 23 Febrary. The hunger strikers accuse Jimmy Carter of attempting to control the Haitian elections scheduled for June 1995. This organization [not further identified] intends to stage a demonstration at the arrival of the former U.S. President.

At the same time, slogans hostile to Jimmy Carter have been displayed on the walls of Port-au-Prince, accusing the former U.S. president of being a counselor to the Haitian Army: "Jimmy Carter, crooked dealer"; and "Carter, go home" is among the graffiti observed in various neighborhoods of Port-au-Prince. The former U.S. president is expected in the capital on 23 February and is scheduled to meet with President Aristide.

Peasant Group 'Denounces Threats' by U.S. Military

FL2202224795 Port-au-Prince Signal FM Radio in French 1130 GMT 22 Feb 95

[FBIS Translated Text] The Papaye Peasants Movement [MPP] denounces threats against it by U.S. military. In a news release dated 20 February, the MPP advises the national and international communities that an act of intimidation was perpetrated against them on 17 February by a group of U.S. military quartered in Plateau Central. According to the MPP, during a meeting with some of its [not further identified] members, U.S. soldiers led by Captain (Borling) informed them that acts of violence against them were reportedly being planned by the MPP. Refusing to reveal its source, the MPP states that the visitors announced that any acts of violence against them would entail reprisals against the organization.

MPP denounces this behavior, which in its opinion, represents the results of plots against the MPP by such anti-change forces as the Revolutionary Front for the Promotion and Progress of Haiti.

Cap-Haitien Occupation Ends; Government Denounces Attacks

FL2202235595 Port-au-Prince Radio Metropole in French 1900 GMT 22 Feb 95

[FBIS Translated Text] Calm appears to have returned to Cap-Haitian following the occupation of the city's harbor authority. Soldiers of the multinational force attempted on 22 February to return calm to the country's second city where about 200 demonstrators had blocked the port and customs offices since 17 February, after driving away the employees of those two administrations.

According to reliable sources this morning, military reinforcements were sent to Cap-Haitian. Reliable sources also reported that the situation was now calm in the city of Cap-Haitien, where a fine rain was falling.

In Port-au-Prince, the government today placed security devices around public buildings after denouncing meetings by small groups who are attempting to destabilize the country during carnival. The government, in a news release, denounced planned attacks against public buildings.

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Finance Secretary Views Accord With U.S.

PA2202154895 Mexico City XEW Television Network in Spanish 0430 GMT 22 Feb 95

[Interview with Guillermo Ortiz, finance and public credit secretary, by Jacobo Zabludovsky; place not given; "From the 24 Hours" newscast—live relay]

[FBIS Translated Text] [Zabludovsky] Would you please explain the contents of the agreement signed this morning in Washington?

[Ortiz] This morning we signed an agreement in which the United States grants Mexico support of up to $20 billion. This support may be used to help us convert short-term debt to medium-term and long-term debt. It will be used mainly to convert Tesobonos [treasury bonds] that fall due this year into medium-term obligations and also to support the Mexican financial system through payments on certificates of deposit.

This $20 billion will be used in three ways. Part of it will be used as support for so-called short-term swaps [preceding word in English]. There is another portion for medium-term swaps to be used for period of up to five years. Finally, there is a portion that includes a U.S. Government guarantee for the issuance of Mexican Government bonds for up to a 10-year term.

[Zabludovsky] Does this morning's agreement increase Mexico's debt?

[Ortiz] It does not increase the debt because we are simply exchanging existing short-term debts for medium and long-term debts. Just as we have been explaining to the public, this simply gives us a breather to meet short-term payments and convert them to medium and long-term payments. In other words, the country's total debt is not increased by this operation.

[Zabludovsky] Mr. Secretary, we Mexicans are especially sensitive in the handling and disposal of oil. What connection is there between Mexican oil and what was signed this morning in Washington?

[Ortiz] A mechanism was established that has been used in the past. The mechanism was previously used in 1982, 1985, 1987 and works as follows: Pemex [Mexican Petroleum] receives payment for its invoiced oil in foreign banks, and then this is paid into a Bank of Mexico account. The Bank of Mexico, in turn, credits Pemex with pesos or dollars, whichever is the case, in exchange for the foreign currency deposited in the Bank of Mexico account.

The support mechanism works as follows: In the event that Mexico fails to meet any of its obligations, the Bank of Mexico would instruct that funds be remitted from its account to the U.S. Government up to the amount that was not paid.

I want to strongly emphasize that, first of all, this mechanism has been used previously. Second, Mexico has always complied with its obligations on time; thus this guarantee has never actually been used. And third, this does not mean that there will be any meddling by the U.S. Government, either with Pemex or with its oil exploitation, exporting, or marketing policies. The United States, I repeat, does not have a claim on Pemex.

[Zabludovsky] But who controls that account? Does the United States have any control over this account?

[Ortiz] No. This account is handled by the Bank of Mexico, and the Bank of Mexico has full freedom on the use of resources at all times—unless there is noncompliance. Let me give you an example, Mr. Zabludovsky. Let's suppose that we issue certificates for a five-year term. Say that when the term expires Mexico does not meet its obligations. What would then happen is that the Bank of Mexico would transfer funds it is receiving in that account to the U.S. Government in the amount of those obligations that were not met. But this, I repeat, is not a blocked account, and the United States has no control over the use of these resources until, I repeat, Mexico fails to pay. This has never happened before. This mechanism has been set up on previous occasions and has never had to be used.

[Zabludovsky] Commenting this afternoon on this morning's signing, the U.S. President said that support was obtained which guaranteed the loan to the United States. Also this morning, the treasury secretary said that this was a bitter medicine. Will you explain these two statements?

[Ortiz] I think that President Clinton was referring to the support that is based on collection from Pemex revenues, but, I repeat, this would happen only in the event that we fail to pay. Since the obligations are medium term, five or 10 years, we would obviously be facing a contingency, in the worst of the scenarios, within five or 10 years. In addition, I repeat, Mexico has never failed to pay a foreign obligation, and there has never been a need to use the system of petroleum support.

With regard to what Secretary Rubin said about a bitter medicine—well, I believe that President Zedillo has been very clear. He said that we are going through a difficult situation. It is an economic emergency situation. The measures that Mexicans have had to take to overcome it have not been easy. We are going to go through complicated times. However, I feel that today we took a great step. We made important progress because we reached an agreement on a financial package that is of great importance. It will allow Mexico to meet its short-term commitments.

[Zabludovsky] Mr. Ortiz, is there a secret clause?

[Ortiz] None, Mr. Zabludovsky. All the documents that were signed will be presented to the public, of course. First, they will be presented to the Congress of the Union, and the public will be thoroughly informed about them. There is no secret clause in this agreement. It is

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important to stress too that there were no political conditions in it. You might recall that when the famous package that was going to be submitted to the U.S. Congress was under discussion, there was talk of a series of clauses that affected Mexican foreign policy: the bilateral agenda, immigration matters, and other issues. This agreement only includes economic matters. Regarding these economic matters, the agreement supports the Mexican Government program, a program that has also been supported by international financial organizations like the IMF, the World Bank, and the Inter-American Development Bank.

[Zabludovsky] Does this agreement grant the United States access to Mexico's fiscal and financial information?

[Ortiz] What we will do is have the Bank of Mexico and the Finance Secretariat issue reports more frequently on financial and fiscal information. It will be information for the general public. It will not be a publication addressed to the U.S. Government. It will be information for the general public.

[Zabludovsky] Did the Mexican Government commit itself to more privatization of state-owned enterprises?

[Ortiz] The privatization program is the one which the president announced, and it is the one we are implementing. There are no additional privatizations planned, only those already announced.

[Zabludovsky] Did Mexico promise to establish a specific currency exchange rate, or will it establish a fixed rate no matter what?

[Ortiz] Mexico did not vow to establish a fixed rate. It is evident that the currency rate that has prevailed in the market in recent days or weeks is very high. The peso is undervalued. Thus, with this financial agreement, we can expect more stability in the market. In short, I hope, we can expect an exchange rate system that will give economic agents more confidence. For the moment, steps are being taken to establish a futures market, and, I repeat, we expect to see more stability in our exchange rate.

[Zabludovsky] How will the man on the street or the man who became recently unemployed be affected by the agreement signed today in Washington?

[Ortiz] I think that with this financial package Mexico is now in a more solid position to face its commitments. Had Mexico been unable to get the financial backing, it would have run the risk of declaring suspension of payments or a moratorium, which would have disastrous consequences for the country. Things are not easy. We are going through a recession. But had we not obtained this backing, the country would have been in a worse position. So, this backing gives us the chance, let us say, to adjust in an orderly fashion to a situation in which fewer resources will come from abroad. It allows us to be able to resume economic growth over a much shorter period of time; that is, the opportunity to create better paying jobs is more real, thanks to the package, than if we did not have it.

[Zabludovsky] Mr. Secretary, did Mexico pledge to prevent any Mexican bank from going bankrupt?

[Ortiz] Well, Mexico committed itself to the Mexican people and depositors to support all the banks' liabilities. We will be able to support the Mexican financial system thanks to this package. Certainly, if there is any bank in desperate straits, the Savings Protection Banking Fund, Fobaproa, will aid it, and the people's deposits and the bank's liabilities will be fully supported. In other words, this package will also help reassure the solvency of the Mexican financial system. This situation does not mean that some banks cannot go under, but then any other bank could easily take over these banks, or Fobaproa, I repeat, could easily support them. In any event, people's deposits will be backed and supported.

[Zabludovsky] Mr. Ortiz, a significant interest rate hike took effect on 21 February in Mexico. Was this hike a condition imposed by the United States?

[Ortiz] Look, the Bank of Mexico [Banxico], as an autonomous entity, is the manager of monetary policies and interest rates. Banxico believed it was convenient to assertively move to tighten monetary policies to stabilize financial markets. I believe that this interest rate hike will help, I repeat, stabilize the markets, especially the foreign exchange market, and in turn, it must contribute to making future drops in the interest rate more sustained and permanent. I think that insofar as the interest rate hike we experienced on 20 and 21 February contributes to stabilizing the markets, as far as capital influx is concerned, it will allow future interest rates to drop, thus alleviating the situation companies and people are facing. Anyway, banks, Banxico, and financial authorities will be soon taking measures to alleviate, I repeat, the situation of small and medium-sized companies and those people who hold mortgages; in other words, this interest rate hike will not affect them too adversely.

[Zabludovsky] Mr. Secretary, is Mexico going to establish a system called an account unit [unidad de cuenta]? And what is an account unit?

[Ortiz] Banxico will explain this system in detail. Basically, it consists of loans and deposits being referred to as an account unit or as an investment unit [unidad de inversion], which is linked to inflation and price hikes. As for debtors, these units will give them the advantage of, as they make their payments, not having to amortize these payments in advance due to the credits' inflationary character. I believe this is a technical issue, but it could greatly benefit those people who owe money and those companies and families that have mortgages. I believe, I repeat, Banxico and other banks will explain this system in detail. Certainly, it is an entirely voluntary system, and those people and institutions that will benefit from it will be able to implement it. I believe this system could become a major mechanism to alleviate the situation.

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[Zabludovsky] Mr. Ortiz, following the signing on the morning of 21 February, can we more accurately predict this year's inflation rate in Mexico?

[Ortiz] Well, I believe we are doing everything possible to curb inflationary pressure. The economic predictions made in January about inflation, growth of the GDP, and the balance of payments have not been reviewed. I believe that soon a better evaluation will be made of the situation and that new predictions will be issued. The bank's measures on interest rates are designed to ease pressure on inflation. I repeat, the predictions have not been reviewed, but they will be reviewed soon, and predictions on inflation and the country's growth will be issued.

[Zabludovsky] I can't remember if I asked you how long the dollar will be allowed to float.

[Ortiz] This is related to the policy on the exchange rate. I believe the volatility of the currency's rate of exchange will decrease considerably. A few days ago we saw the peso at levels superior to six pesos, or 6.50. Of course, we do not expect these kinds of quotations again. I believe that the exchange rate, which I repeat is very undervalued, will tend toward appreciation, a downward tendency.

This will not happen overnight. It will take time for all these economic policy measures to affect the markets. These are not magic solutions. But they are contributing to stabilization. I repeat, we have a difficult period ahead of us. We all know that. But, we are building a foundation. We are taking steps to stabilize the economy to help this adjustment be accomplished in as short a period as possible, so that we can look at the future from a different perspective.

[Zabludovsky] Would you like to add anything, Mr. Secretary?

[Ortiz] I was saying that if prospects seem difficult now—which they do, and the last few weeks have been filled with anxiety and anguish—I believe we are now taking very firm and solid steps forward. I believe we reached very favorable terms in our recent negotiations. The negotiations were very advantageous to Mexico, and we look forward to the results with much optimism. We obviously need to continue building, strengthening, and consolidating our economic program to overcome this crisis and again position ourselves to witness the creation of new jobs, not unemployment, economic growth, not recession, and stability, not inflation. That is our goal.

[Zabludovsky] Thank you, sir, and good night.

[Ortiz] Good night.

President: Next Step Reinforcement of Economic Plan

PA2202201695 Mexico City NOTIMEX in Spanish 1814 GMT 22 Feb 95

[FBIS Translated Text] Mexico City, 22 Feb (NOTIMEX)—Mexican President Ernesto Zedillo announced today that, having received U.S. financial support, the next step will be to reinforce and consolidate the Economic Adjustment Program currently being applied in the country. "We have taken the necessary steps to face the economic emergency. We shall continue taking whatever steps are necessary, because this is a strategy to prevent the financial collapse that would create massive unemployment and would hurt chances for development," he said.

Upon swearing in members of the National College of Bachelors in Administration, the president said that the new actions will take place by "national agreement, by speaking truthfully, and by acting openly." "With truth and openness I confirm that we should be able to stem the crisis soon and without hesitation. We cannot cower away from this; the effect of doing that would be more damaging for everyone. We must make additional efforts," President Zedillo said. The president's message was delivered the day after the Mexican and U.S. Governments signed a financial agreement worth $20 billion designed to help overcome the country's financial maladies.

In his speech the Mexican president gave assurances that there are no political conditions attached to the agreements signed the previous day by Mexico and the United States. "Basic principles were observed at all times during the negotiations. The agreement signed between Mexico and the United States is of a strictly financial nature and does not contain any kind of political conditions," Zedillo explained.

He said that the economic program that backs the U.S. financial support is the one announced by his government on 3 January and that was studied by Congress at the time.

Zedillo rejected the notion that the funds represent additional debt for the country. "This is a chance to substitute today's short-term and expensive (debt) with long-term, cheaper debt. [no closing quotation mark as received]

The president said that the financial agreement is effective support for Mexico's efforts to overcome the economic emergency and to get started as soon as possible on the country's growth with the stability the country requires. "Mexicans know that our discipline, our work, our effort, our savings, and our perseverance will provide the best support for overcoming the current crisis and moving ahead with economic development," he underscored.

Foreign Secretary Confident on Economic Stabilization

PA2302030195 Panama City ACAN in Spanish 2237 GMT 22 Feb 95

[FBIS Translated Text] Panama City, 22 Feb (ACAN-EFE)—Mexican Foreign Secretary Miguel Angel Gurria

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today expressed confidence that Mexico's economic situation will stabilize as the result of the agreement signed with the United States yesterday, whereby Mexico will borrow $20 billion.

Speaking to ACAN-EFE, Gurria said: "As the money begins to flow, we expect the markets to stabilize and the volatility of the exchange and stock markets and interest rates to disappear."

Gurria is in Panama to attend the 11th San Jose Conference between Central America and the European Union, which will end tomorrow. "We expect the markets' volatility to disappear gradually. Then we will be able to correct the problem that the Mexican economy has suffered in the past few weeks," he said.

Gurria explained yesterday's stock market plunge despite the signing of the U.S. aid by saying: "The announcement was made a little late."

"We expect all indexes to recover in the next few days, as the markets assimilate the information and realize the enormous importance of the markets' stability," he said.

He said again that the most important thing, once the U.S. aid is secured, is to attain stability in the exchange and stock markets and "gradually lower interest rates."

Trade Official Confident Crisis Can Be Overcome

PA2202164695 Mexico City NOTIMEX in Spanish 2020 GMT 21 Feb 95

[FBIS Translated Text] Mexico City, 21 Feb (NOTIMEX)—Jaime Zabludovsky, under secretary for international trade agreements, has affirmed that the new economic grant, Mexico will overcome its financial problems and get back on the road to sustained growth and a moderate and competitive economy. He pointed out that once "resources stemming from the financial package begin to flow, uncertainty will disappear and the Mexican companies' investment and export projects will be reimplemented," adding that these loans will contribute to stabilize financial markets, "which have been the main source of instability over the last few weeks in Mexico."

As for the production sector's complaint that many companies will perish because of their financial problems and their inability to take advantage of the foreign trade potential, he said that credit resources must begin to flow for uncertainty to disappear.

Regarding the 10-percent hike in interest rates, Zabludovsky maintained that "it responds to the need to face the instability of financial markets, especially the foreign exchange market." "As we make investments in pesos more attractive, pressure on the foreign exchange rate will ebb. We saw this tendency, which will stabilize other economic variables, yesterday and today in foreign exchange markets," he assessed.

He believes that more "capital will flow into Mexico" to support national development projects and explained that interest rate hike will have no bearing on the trade negotiations being undertaken abroad.

Senators Describe U.S. Aid Package as 'Positive'

PA2302051295 Mexico City NOTIMEX in Spanish 2020 GMT 22 Feb 95

[FBIS Translated Text] Mexico City, 22 Feb (NOTIMEX)—Mexican senators today described as positive the $20 billion credit that the U.S. Government gave Mexico, which they said will be like "a breather" and will give certainty to the country's economy.

Carlos Sales Gutierrez, president of the Senate's Finance Committee, described the credit agreement signed yesterday by Mexico and the United States as "a breather."

The expected results, however, will not be seen until those funds are accompanied by a structural plan that "will encourage all economic sectors and more adjustments are made to the government expense budget," Sales Gutierrez said.

Sales Gutierrez described the credit as positive in economic terms, because it will contribute to alleviate the crisis in the near future, but now creates the need for a medium- and long-term program to restore the conditions that have deteriorated in the past few months.

In addition, Sales Gutierrez demanded more information from the government "not only on quantity, but on quality and opportunity," about the program to be implemented to overcome the economic difficulties.

During an interview conducted in his office at the Senate, Sales Gutierrez said that in his opinion, the terms of the credit agreement did not include "shameful, humilliating, or painful conditions for the country."

He noted that Finance Secreary Guillermo Ortiz must appear before congress as soon as possible to explain the terms under which the funds were given.

He stressed that the six-year economic program should be ready in May, when the 1995-2000 National Development Program will be drafted with the participation of congress and which will include the economic restructuring in accordance with current conditions.

Sales Gutierrez also mentioned the need to stabilize financial markets and the parity of the Mexican currency, saying that otherwise it will be almost impossible to move ahead to solve the problems that caused the critical economic situation.

Meanwhile, Fernando Ortiz Arana, president of the Senate's Gramd Commission said that the conditions of the U.S. credit to Mexico do not hurt national sovereignty.

"I am convinced that the financial support given to Mexico is consonant with the current economic interdependence and in no way hurts national sovereingty," he stressed.

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"It is a financial operation that includes obligations for Mexico, as any other transaction of that nature, but without political conditions or secret clauses and much less covert agreements," Ortiz Arana said.

"There is nothing that can hurt, jeopardize, or curtail our country's sovereignty," Ortiz Arana added, stressing that the fact that Mexican oil guarantees the loan does not affect Mexico's sovereingty.

That mechanism has been used on other occasions and does not commit our oil resources. It does not affect the policies of Mexican Petroleum, which are exclusively determined by Mexicans, Ortiz Arana said.

This credit implies a recognition of the firm and democratic way in which President Ernesto Zedillo conducts his government and will contribute to Mexico's financial and monetary stability.

PRD Congressman Calls Oil Guarantees Unconstitutional

PA2202164195 Mexico City XEW Television Network in Spanish 0430 GMT 22 Feb 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Members of the Party of the Democratic Revolution [PRD] Economic Group spoke on Tuesday about the financial package granted by the United States to Mexico. Saul Escobar, a PRD deputy from Mexico City, discussed the issue.

[Begin Escobar recording] As was announced, invoices from oil sales will guarantee the loan that has just been made. This has been negotiated, agreed upon, and signed. We believe this is an unconstitutional measure that seriously compromises national sovereignty, and that Congress must have the final word on this issue. [end recording]

At a news conference held at the PRD's national headquarters in Mexico City, PRD legislators gave assurances that the acceptability of the oil guarantees must be debated during a special congressional session.

PAN Calls for Full Disclosure on U.S. Loans

PA2202164095 Mexico City XEW Television Network in Spanish 0430 GMT 22 Feb 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Gonzalo Altamirano Dimas, president of the National Action Party [PAN] in Mexico City, says the truth must be told about regarding the loans the United States has made to Mexico, adding that no information should be withheld. The PAN, he said, does not advocate an end to U.S. economic support for Mexico but wants this support to be clearly established and transparent.

[Begin Altamirano Dimas recording] We are not going to hinder nor do we wish to stop aid that could give the country considerable breathing room. All we want is for the Mexican people to be told the truth so they can be aware of the conditions under which the negotiations are being conducted and of the mortgage the Mexicans will have to pay. [end recording]

The PAN feels that the 10 percentage point increase in interest rates will only foster the existence of temporary capital.

Employers Confederation Terms Accord 'Positive Step'

PA2202164395 Madrid EFE in Spanish 0746 GMT 22 Feb 95

[FBIS Translated Excerpt] Mexico City, 22 Feb (EFE)—Mexican businessmen have described the financial assistance agreement signed by Mexico and the United States as a "positive step." However, the agreement was received with discouragement on the stock exchange. The dollar suffered a slight setback on foreign exchange markets.

"The credit assistance constitutes a first positive step to face the country's current financial crisis," the Employers Confederation of the Mexican Republic (Coparmex) stated in a communique. The Coparmex is the only Mexican business organization with voluntary membership. [passage omitted]

According to Coparmex, the government should reinforce the financial assistance agreement signed with the United States yesterday with "a realistic economic policy" that supports the productive sector, one of the sector hit hardest by the crisis. Coparmex noted that with the high interest rates, "which resulted from the current uncertainty in the country, the survival of companies is not likely."

The businessmen stressed the need for Mexico to recover confidence in its economic future, one of the main victims of the crisis. The prevailing uncertainty has dissuaded foreign investors and generated a foreign exchange drain to the tune of billions of dollars. "We reiterate that policies to support small and medium-sized businesses with concrete measures must be consistent and congruous in order to overcome the crisis," Coparmex said. [passage omitted]

Business, Labor Leaders React to Package, High Interest

PA2202133995 Mexico City Radio ACIR Network in Spanish 0000 GMT 22 Feb 95

[Report by Alma Rosa Baez and Marisela Palacio; from the "Evening News Panorama" newscast]

[FBIS Translated Text] Although the signing of a financial package with the United States is good news for Mexico, it is only a first step to be followed by months of adjustments to the current economic program, said Luis German Carcoba Garcia:

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[Begin Carcoba recording] [Words indistinct] of these measures and based on them we will most probably have to revise the agreement to adjust it to the realities of the current situation, and immediately and simultaneously [words indistinct]. [end recording]

He was interviewed after a meeting with Commerce Secretary Herminio Blanco. Private sector representatives visited the secretary to learn about the terms of the financial aid. We learned later that they had watched in Blanco's offices television coverage of what had transpired in Washington.

Carcoba Garcia, who is president of the Business Coordinating Council, said he hoped the adjustment period will allow the establishment of economic policy, and thus, the restoration of the trust of investors.

The top business leader recommended prudence and maturity from the government and businessmen to ensure that the policies that will be implemented will lead to a full and true revival of our economy. He said the private sector, along with the government, is analyzing actions that will help ease the financial burden of debtors to benefit our country.

Carcoba Garcia trusts that in the short term the financial financial system will be supported by a realistic exchange rate, low inflation levels, a solid industrial plant, and will lead to the well-being of the population.

Meanwhile, Jaime Zabludovsky, the international trade negotations under secretary of Secofi [Secretariat of Commerce and Industrial Development], said the $20 billion credit will stabilize financial markets and will return the country to economic growth. Since 22 February, there have also been reactions to the level of interest rates. In case Mexican authorities do not adopt measures to lower interest rates, small- and medium-scale businessmen could declare a suspension of payments, that is, a moratorium.

During a new conference, Jorge Kahwagi, president of the Mexican Institute of Small and Medium Industries, said the country is facing its worse economic crisis.

[Begin Kahwagi recording] If high interest rates persist we will definitely have to suspend payments. [end recording]

He pointed out it must be a national priority to ensure the survival of businesses; otherwise, all Mexicans will pay the cost. This cost, he noted, will be higher unemployment levels. Kahwagi demanded from the authorities information on the measures to be adopted in the short and medium term to enable industrialists to plan their investments, because changes only stop production.

Kahwagi thinks a microeconomic policy must be applied with solidarity reflecting the future we want for the country; otherwise, in the long run, internal conflicts will be more serious. As for interest rate levels, which will affect banks and businesses, the National Federation of Bank Unions reported it is possible that employment in banking institutions will be reduced in view of the increase in interest rates. Here is a report from our colleague Marisela Palacio:

As interest rates go up 10 percent, as announced by the Bank of Mexico on 21 February, there will also be a strong increase in the overdue portfolios of banking institutions, said Enrique Aguilar Borrego, secretary general of the National Federation of Bank Unions.

He said in view of the current economic situation, this interest rate increase could further affect national production and cause a recession of worse consequences than inflation itself:

[Begin Aguilar recording] Thus, if we try to raise salaries, while also applying controls to prevent a rise in inflation, we will be able to somewhat neutralize the interest rate increases. On the other hand, if interest rates go up and we keep salaries fixed, we could have a very serious recession. This will clearly affect banks. [end recording]

The leader of the bank workers added that the National Productivity Commission [Conapro] is needed to give the workers another alternative to help their salaries recover purchasing power. He pointed out this commission, which is expected to be installed next week, must be autonomous and permanent. It must also establish long-term productivity programs and not only act as an emergency body in view of the crisis.

To achieve this and prevent a failure of Conapro, Enrique Aguilar Borrego added it would be advisable to include a clause establishing that no collective work contract should be signed if it is not complemented by a productivity and training agreement.

Treasury Certificate Rates Increase by 19 Points

PA2302043395 Mexico City Radio ACIR Network in Spanish 0000 GMT 23 Feb 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] One of the first consequences of the financial settlement between Mexico and the United States was felt today in the auction of Cetes [Treasury Certificates].

We already reported in our first newscast this morning that the rates of Cetes with a 28-day maturity, which is considered the market's leading rate, rose 19 points, establishing a 59-percent yield. Obviously, this is an annual yield. Meanwhile, Cetes with a 91-day maturity increased 16 points, and they currently offer an annual interest of 57 percent.

The level reached by the Cetes, which establish the pace followed by the yield of various banking instruments, is the highest yield reached in the history of these documents. It can only be compared with the one reached on

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31 December 1994, one week after the peso's devaluation, when the interest rates of those documents increased 15 and 17 percent, respectively—yet they failed to reach 57 percent.

Private Banks Reject Government Capitalization Plan

PA1802020595 Mexico City EL FINANCIERO in Spanish 16 Feb 95 p 6

[Report by Georgina Howard]

[FBIS Translated Text] The private banks have rejected the Savings Protection Banking Fund (Fobaproa) program as an appropriate mechanism to capitalize the banks. They proposed the creation of a credit support entity that will contribute to capitalize Mexican banks, without endangering the actions of any credit institution.

In addition, they expressed their disagreement with the assertion by authorities that cash reserves account for 60 percent of the credit portfolio of institutions. They reported that accepting a proposal in the terms stated by authorities would be like recognizing "the anticipated death of many banks," a well-known banker has told EL FINANCIERO.

Meanwhile, Adrian Sada Gonzalez, president of the Serfin-Obsa financial group, stated that the Fobaproa will not resolve the problem of banks and will only endanger its shares package.

Interviewed after visiting Eduardo Fernandez, president of the National Banking Commission [CNB], the Nuevo Leon businessman expressed his opposition to the amount of cash reserves as a percentage of the portfolio that authorities will demand. Fernandez has held similar meetings with various bankers to analyze their level of capitalization.

No bank is close to even 50 percent, and accepting such a proposal would entail the private banks' generalized renunciation to liquidity and profits.

During the difficult and harsh negotiations between members of the Mexican Association of Bankers and the team of Finance Secretary Guillermo Ortiz Martinez and Miguel Mancera Aguayo, Bank of Mexico [Banxico] president, the bankers rejected flatly the capitalization plans proposed by authorities.

During the meeting, in which not all was confrontation and questioning of Banxico actions, representatives of some banks called for the elimination of Fobaproa. They argued that this entity "has only served to cover holes in irresponsible financial institutions, specifically citing the Banco Union case.

Most bankers, however, endorsed a program to have financial authorities and banks draft a viable and appropriate plan that will facilitate the creation of a credit support entity for banks wishing to capitalize.

According to these proposals, the new entity would only serve to provide resources to banks facing capitalization problems, a situation affecting at least 12 private banks since last month as a result of the economic crisis the country is facing.

Representatives of private banks also recommended that the CNB president create cash reserves on the matured loan portfolio and apply penalties on reserves against preventive risks, given that authorities intend to set reserves in accordance with the banks' portfolio.

Such a mechanism in the middle of the recession Mexico is experiencing, they claimed, would result in the absolute loss of profits for banks throughout 1995.

In order to have efficient mechanisms determine the credit history of individuals and companies and to carry out an expeditious evaluation under strict adherence to banking secrecy, the Secretariat of Finance and Public Credit (Secofi) has disclosed the rules governing the operation of credit bureaus.

Secofi, through the Official Diary of the Federation, explained that the credit bureaus will only be able to provide services to users who receive express and written consent from each of the investigated parties.

When corporations do not provide credit bureaus with the authorization from the investigated parties, the credit bureaus shall not be able to violate banking secrecy. Should they break banking secrecy, responsible officials and employees shall be suspended for a period of six months to 10 years.

To be able to organize and operate Credit Information Corporations—credit bureaus—those interested should present to Secofi, Banxico, and the CNB information on stockholders, stating the paid-in capital of each partner as well as their resumes.

They will include information on the counsels and principal officials of the corporation, with the project of statutes and general operating program to include: Description of the systems and processes for compiling and handling information; characteristics of the products and services users will provide; operating policies; provisions and controls to avoid the inappropriate handling of the institution; organizational bases; three-year investment program; and schedule for the opening of offices and units.

Zedillo To Propose Peace, Conciliation Bill for Chiapas

PA2302041995 Mexico City Radio ACIR Network in Spanish 0000 GMT 23 Feb 95

[Report by Rosy Ahuatzin Vasquez; from the "Evening News Panorama" newscast]

[FBIS Translated Text] President Ernesto Zedillo today marked Agronomists' Day. His speech at the event was perhaps the most important one delivered today. The

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president said that, to achieve a definite solution in Chiapas, legislators must be asked to broaden the scope of the amnesty law. He announced that he will submit a broader law—called the Law for Dialogue, Conciliation, and Dignified Peace in Chiapas—to the legislative branch for its consideration.

He explained: It is not only a matter of achieving a disarmament and the return of disgruntled people to a legal framework. It also involves facilitating contacts, starting a dialogue, strengthening genuine negotiations, and guaranteeing a follow-up of the agreements reached.

[Begin Zedillo recording] The law will provide, in conditions of absolute legality, guarantees for the physical safety and liberty of all those who participate in the dialogue. It will be a decisive step toward a dialogue andnegotiations; an effective solution to the issues that cause nonconformity; a definite, legal, and political solution. The Law for Dialogue, Conciliation, and Dignified Peace in Chiapas must establish a framework of confidence and safety to discuss, with absolute freedom and within a reasonable deadline, the issues that caused the Chiapas conflict. [end recording]

The president of the republic presided over the ceremony to mark agronomists' day. He insisted that abiding by the law does not result in winners or losers. He added that politics and the law exclude no one, and that this is the way to solve the Chiapas conflict. President Ernesto Zedillo also said he is the first one committed to achieve that dignified and just peace.

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El Salvador

Calderon Sol Interviewed on Relations With Cuba

PA1702043395 San Salvador LA NOTICIA in Spanish 15 Feb 95 p 6

[FBIS Translated Text] President Armando Calderon Sol said his Cuban counterpart Fidel Castro must use his leadership to advocate changes toward democracy on the island and prevent acts of violence.

In an interview with Spanish media representatives, Calderon said his government has no plans to establish diplomatic relations with Cuba, but it is willing to consider the possibility of endorsing the Caribbean nation's admission to the OAS, provided it gives proof of "an opening for liberty and democracy."

Calderon said the visit that a Legislative Assembly delegation is currently carrying out in Cuba does not imply the possibility of establishing diplomatic relations, because "these cannot be justified."

He said that, historically, El Salvador and Cuba have had no commercial relations, even due to their geographical location, because El Salvador only has an outlet to the Pacific.

The president said Central America, particularly El Salvador, "has been a victim of Cuba's external policy and the expansionism it maintained in those countries for years."

Calderon Sol recognized that "there have been some changes" in Cuba and "we expect major changes now that the Cold War has ended because we believe a Cuban-style revolutionary regime is no longer valid."

The Salvadoran president said "it is no longer possible for Fidel Castro, "to rule 35 years, be the dean of the dictators in America; or that there be no opening for liberty and democracy," he said, adding "Castro must understand that there are no more opportunities to violate the Cuban people's human dignity."

He said his position is shared by most of the Latin American leaders who "clearly stated their position" at the Ibero-American Summit last year in Cartagena de Indias.

Calderon Sol said Spain "is a nation that has offered Cuba its generous hand, support, and permanent presence," and "the Castro regime can trust that hand for a democratic and political opening."

The Salvadoran head of state said Fidel Castro "still clings to his initial position; he has not been able to appraise the problem; he is apparently restrained by his party commitments, restrained by its internal nomenclature."

He added that he believes Castro has the necessary leadership to personally advocate changes in his country. "He has the necessary charisma to become a force of change without bloodshed, without violence. He can allow opportunities for liberty without reaching extremes that would be painful for the Cuban people."

Guatemala

UN Proposes Schedule for Phases of Peace Process

PA2202172295 Guatemala City LA REPUBLICA in Spanish 19 Feb 95 p 4

[FBIS Translated Text] It was reported this Saturday in Guatemala City that the United Nations has submitted a definite proposal to the government and the guerrilla command, calling for renewed negotiations in March, a cease-fire by 15 June at the latest, and the signing of a peace agreement in August.

This letter was sent by UN Under Secretary General Marrack Goulding together with a letter addressed to President Ramiro De Leon Carpio detailing the terms under which that international organization would continue mediating in the peace process.

The calendar drawn up by the United Nations proposes examining issues pending from the 1994 agenda that was approved by the government and the Guatemalan National Revolutionary Unity [URNG] in the following order:

1-15 March: Identity and rights of the Indian peoples

15 March-15 April: Socioeconomic issues and the agrarian situation

15 April-15 May: Strengthening civilian power and the role of the Army in a democratic society

15 May-15 June: Establishing of basis for the reintegration of the URNG into the country's political life and a definite cease-fire agreement.

15 June-15 July: Constitutional reforms and electoral system

15 July-31 July: Timetable for the implementation, compliance, and verification of the agreements

August: Signing of the peace agreement

According to this document, to which LA REPUBLICA had access, the United Nations is proposing that all the political parties that want to participate in the elections scheduled for November of this year "clearly indicate their commitment to the peace process" and respect the agreements signed by the parties involved.

The cease-fire on the established date would not be definite and would have to be viewed as a "demonstration of goodwill" aimed at "alleviating the suffering of the civilian population in areas affected by the armed confrontation, at protecting human rights, and at facilitating the work of the UN Mission for Guatemala," the UN mission that verifies human rights in Guatemala.

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Goulding states in his letter to De Leon Carpio that UN Secretary General Butrus-Ghali believes this formula "is the most realistic for giving the peace negotiations the desired impetus."

The letter gives the Guatemalan president seven days to directly inform the UN secretary general whether he accepts the proposal, which has also been sent to the rebels in Mexico as part of the UN effort to "restart" the pacification process.

The government and the URNG agreed last year to sign a peace agreement in December, but the talks did not progress with the expected celerity and have been stagnant since December. This has prompted Butrus-Ghali to ask the parties to reaffirm their "will" to end the oldest continuing armed conflict in America.

This week Congress asked that both the Army and the guerrillas decree a cease-fire and backed the UN effort to reactivate the process by committing itself to respecting the agreements that may be signed and to legislating in favor of the guerrillas participating in the November elections.

President Accepts UN Proposal

PA2202172495 Panama City ACAN in Spanish 2105 GMT 21 Feb 95

[By Eric Salazar]

[FBIS Translated Excerpt] Guatemala City, 21 Feb (ACAN-EFE)—The Guatemalan Government today accepted UN requirements to return to the negotiating table with the guerrillas and paved the way for an end to the only remaining armed conflict in Central America.

President Ramiro De Leon, in a letter to Marrack Goulding, UN under secretary general for political affairs and a British subject, confirmed his will to negotiate "seriously" and with confidence in the United Nation's mediating role. De Leon believes that the "immediate" response by his administration is an "example of flexibility." He urged his counterpart, the Guatemalan National Revolutionary Unity (URNG), to respond and restart talks "as soon as possible." [passage omitted] "We would have preferred to have stuck to the initial proposal...but we respect the UN criteria on the new proposal in view that only you can, after evaluating objections by the other party, realistically judge this new proposal," De Leon stated in his letter of reply.

De Leon was referring to a proposal made by Goulding in January, which the president believes had shorter negotiating periods. De Leon believes that the previous proposal was "more ambitious," "in its a much briefer time frame and it methodology, with simultaneous treatment of topics."

In his reply the Guatemalan president also accepts "without comment" that proposals by the Civilian Society Assembly [Asamblea de Sociedad Civil, ASC] were taken into account "in matters that are not their concern." The ASC brings together 10 social sectors, including workers, peasants, church people, humanitarian activists, and students, and excluded organized businessmen.

De Leon also pledged to begin a public opinion "campaign" so that the people have more information on the negotiating process and the agreements.

President De Leon admitted that he had "some observations" on Goulding's document but made clear that these are not "substantive."

Meanwhile, new ingredients have been added to the complex negotiating process after the URNG announced its willingness to take part "with or without a peace agreement" in the general elections scheduled for year's end. The rebels have said that they are continuing talks with political groups and parties to form a "great national front" with the power to propose candidates for president and vice president.

Congress President General (retired) Efrain Rios Montt yesterday disclosed that an "initiative" exists to extend for a further two years the president's and deputies' mandates, whose term ends on 14 January. The former de facto head of state would not identify the author of the initiative, which was received "under the table," but warned that the intention is to "allow time for certain personalities to organize their party."

De Leon denied this and ruled out any possibility that he would remain a single additional day in his post.

Nicaragua

Legislature, Executive Disagree Over Constitutional Reforms

PA1802164595 Managua BARRICADA in Spanish 17 Feb 95 pp 1, 2

[Report by Carlos Garcia Castillo]

[FBIS Translated Text] There was no "agreement." The crisis between the legislature and the executive continues, following a failed attempt by their leaders to resolve the disagreement over the controversial constitutional reforms, which legislators say must be enacted by President Chamorro on 23 February.

Leaders from both parties were unable to reconcile their unyielding positions following a two-hour long retreat. The legislature president said when the meeting was over: "I have warned Dona Violeta I will automatically approve the constitutional reforms myself unless they are enacted."

Representatives of both branches left the presidential room at 1200 nervous and with tense faces.

The National Assembly president, accompanied by the entire board of directors, avoided making comments to

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the national press and walked out on the government officials who were standing on the stairway leading to the president's office.

Following this incident, Tomas Delaney, the president's main adviser, furiously walked back into Mrs. Chamorro's private office while Dr. Julio Cardenas managed to say the leaders of both parties had discussed interesting alternatives that create new possibilities.

Cardenas insisted: "We must take some time to examine the alternatives; it will be a while before a decision is made."

Unyielding Leaders, Nicaragua Is Waiting

Following the discussions among the leaders of both branches of state, Luis Humberto Guzman said at a news conference that it was an honest meeting and that he had repeatedly informed Mrs. Chamorro of his decision to enact the Constitution if she failed to assume the responsibility.

Guzman has said the Assembly's Board of Directors has insisted on telling Mrs. Chamorro that the only thing to be discussed at this time is the implementation of the reforms and not their enactment, let alone their contents.

Guzman has said that the executive has considered the negotiation of the implementation of the reforms as a "mechanism worthy of consideration" but that no agreement had been reached. Guzman has said the leaders of both branches did not agree to meet again.

It was widely rumored yesterday that both branches are beginning to agree on the viability of implementing the constitutional reforms by establishing a timetable for the enforcement of certain articles, such as those pertaining to the appointment of justices of the Supreme Electoral Tribunal, the Supreme Court of Justice and comptroller, and even to restrictions on running for the Presidency of the Republic.

Dr. Luis Humberto Guzman has denied the rumors, assuring that at the meeting with the executive they did not discuss such details as the regulation of this or that article. There are laws requiring regulation but others that must be immediately and directly implemented, he has said.

Guzman concluded his news conference by insisting that the current state crisis will not create a power vacuum and that the reforms will be promulgated with or without the president's signature.

Lacayo and Pereira Relinquish Their Immunity

Presidency Minister Antonio Lacayo and Finance Minister Emilio Pereira voluntarily relinquished their immunity as ministers of state before the judge at Managua's sixth criminal court yesterday in order to stand trial for the crimes leveled against them at the National Assembly by two citizens.

Roberto Jose Malta Caceres and Rodolfo Espinosa Baquedano have filed a complaint against the two ministers. The complaint, which has charged Lacayo and Pereira with the crimes of disobedience, sedition, association and collusion with criminal intent, and abetting crime, was read at the Assembly's plenary, and photocopies were distributed.

According to Lacayo, the accusations were leveled against both ministers after they expressed their views on the constitutional reforms process, specifically the handling of such issues as ownership and cooperatives, among others. In addition, the complaints were recently published in two local newspapers.

Lacayo has said: "Everyone in Nicaragua since 1990 has had the right to talk, disagree, and express views. My right to express an opinion on the intended constitutional reforms has been used by biased individuals to take political action against me and to threaten us with a trial, disqualification, and jail."

Pereira, meanwhile, has said that in a democratic Nicaragua "I have the right to express my views in favor of the people, for whom the constitutional reforms are intended, and negative reforms will have an impact on the people."

Chamorro Views Status of Constitutional Reforms

PA2102195595 Managua LA PRENSA in Spanish 19 Feb 95 pp 1, 8

[Report by Cesar Ubeda Bravo]

[FBIS Translated Text] President Violeta Barrios de Chamorro said yesterday that she feels "betrayed" by National Assembly President Luis Humberto Guzman's conduct. Guzman had allowed the media to listen in on a conversation they had had on setting a date for implementation of the reforms.

In the same vein, she expressed her agreement that the meeting between state branches should be held on Monday so that the constitutional reforms may be signed "in approximately six months, or whenever."

"In my opinion, (the media's presence during the telephone conversation with Guzman) is tantamount to treason, but we are prepared to talk on Monday and iron out the differences for the Nicaraguan people's sake, to sign (the constitutional reforms) in approximately six months, or whenever," the president said.

These statements, made by the president of the Republic during a news conference with Spanish Prime Minister Felipe Gonzalez, might provoke some "friction" tomorrow, especially since she said it may be six months before the constitutional reforms are promulgated.

LA PRENSA telephoned National Assembly President Luis Guzman's residence to ask his opinion on the president's statements, but he could not be located.

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Members of the parliament's board of directors have said on many occasions that the president must promulgate the constitutional reforms no later than 22 February. They have also noted that the legislative branch's president will publish them the following day if she fails to do so.

Chamorro said she was startled to see her telephone conversation with Guzman televised on Friday evening.

The president of the parliament called the president on Friday, in the presence of LA PRENSA and other media, to tell her the board of directors had agreed to appoint a negotiating commission that would meet with representatives of the executive branch to discuss the implementation of the reforms to the magna carta.

"(Guzman) was in a hurry because he said the reforms must be signed on Tuesday," Chamorro said. She added that she would send a letter to the National Assembly's board of directors on Saturday and said that she would receive them from 1100 to 1300 on Monday to begin negotiations on implementation of the reforms.

The president said she agrees with the changes to the magna carta. "I am not recanting. But they should be discussed with all Nicaraguans, and they should not just be approved overnight, thus deceiving the people."

The country's leader said the Nicaraguan people know nothing about the constitutional reforms. She mentioned the round of consultative meetings held throughout the last two weeks to discuss this issue.

"Businessmen and members of labor unions, among others, said they knew nothing about (the reforms). A lot of Nicaraguans, even diplomats, know nothing about them," she added.

Chamorro emphasized that she will sign the constitutional reforms once "all the people agree on this, once they have read them. I will not deceive the people. There is still time to talk."

Panama

Government Optimistic About Talks With U.S.

PA2202173595 Panama City Circuito RPC Television in Spanish 2300 GMT 21 Feb 95

[From the "RPC Television News" newscast]

[FBIS Translated Text] Government officials have expressed optimism over the second round of negotiations with the United States.

There is a climate of victory in government circles following the Geneva negotiations. There is also a climate of confidence as the second round of negotiations with the United States draw near.

[Begin Deputy Finance Minister Miguel Heras recording] The negotiations with the United States were remarkably positive. I mention this because, apparently, it has changed its way of thinking about our negotiations. It has seen that Panama has become more serious in its proposal and has acted likewise. It is also more flexible in its position. [end recording]

As the negotiations draw near, consultations have increased in the search for a proposal based on a consensus in the face of the need to overcome certain reservations that the production sectors have.

[Begin Deputy Commerce Minister Jose Troyano] We think that we will meet again in late March. To that meeting we must take a final proposal with regard to products such as chicken, rice, corn, and pork. These are sensitive products for our economy. [end recording]

The government continues in its efforts to become a member of the World Trade Organization, the former GATT, but it must first seek the support of some sectors that feel that such a decision will greatly them.

Lewis Galindo: No Plans To Renegotiate Canal Treaties

PA2202204595 Panama City Circuito RPC Television in Spanish 2300 GMT 20 Feb 95

[Report by Abdiel Antonio Gutierrez; from the "RPC Television News" newscast]

[FBIS Translated Text] Foreign Minister Gabriel Lewis Galindo, upon returning from Washington, emphasized that for the time being there are no plans to renegotiate the Canal Treaties.

[Begin Lewis Galindo recording] I visited the White House several times, the State Department, Congress. Everywhere I visited I met with the determination to comply with the Torrijos-Carter Treaties to the letter. [end recording]

On another topic, with the transfer of the last group of Cuban refugees, Operation Safe Haven came to an end. The foreign minister emphasized the fact that the net result was not negative for the country.

[Begin Lewis Galindo recording] At no time was Panamanian society affected by the presence of these people in our country. [end recording]

He added that the U.S. Armed Forces invested approximately $30 million in the operation: 524 Panamanians rendered medical assistance, food, and other services.

In conclusion, the official confirmed the reversion of five military installations in 1995 and clarified that the Interoceanic Region Authority is in charge of the proper administration of these installations.

[Begin Lewis Galindo recording, in progress] ...having always as a goal that whatever is done there must create jobs for our people. [end recording]

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He noted that the reversion of Fort Amador has been postponed until 1996 at the request of Interoceanic Region Authority.

Assembly President Opposes Renegotiating Treaties

PA2202211795 Panama City EL PANAMA AMERICA in Spanish 20 Feb 95 p A1

[Report by Carlos Anel Cordero]

[FBIS Translated Text] The current government must oversee the faithful compliance with the Panama Canal Treaties and avoid negotiating an extension of the stay of U.S. military bases in Panama after 2000, Legislative Assembly President Balbina Herrera has stated.

The government of the Democratic Revolutionary Party (PRD) has to ensure that the United States fully abides by the text of those accords and not yield to a renegotiation, as some U.S. sectors have stated. It would be up to the next government, which takes over in 1999, to decide whether to allow U.S. bases to remain on Panamanian soil, she noted.

Since the signing of the Canal Treaties, the people have been awaiting the established date to recover total sovereignty over Panamanian territory, and that is why the government must not accept a renegotiation, the assembly president stated.

Foreign Relations Commission Chairman Oyden Ortega stated this would not be the most appropriate time to renegotiate the treaties. We would have to wait for the ountry to unify its stance on the topic to go to the United States with a solid proposal, he noted. Ortega added that in 1977, when the Treaties were negotiated, Panama had an international leading role that does not exist now. For that reason, Panama would go to a negotiation with a weak stance, something that is not advisable.

According to Foreign Minister Gabriel Lewis Galindo, however, it would be up to the Panamanian people through a referendum to decide whether or not to extend the stay of the U.S. bases in Panama beyond 2000. Lewis Galindo acknowledged that important sectors of the U.S. Congress have conveyed to him their intentions of asking President Bill Clinton to keep U.S. bases in Panama.

Lawyer: U.S. Reward Endangers Safety of Accused Killer

PA2202201795 Panama City EL SIGLO in Spanish 21 Feb 95 p 10

[Report by Jose Gonzalez Batista]

[FBIS Translated Text] The counsels for the defense of Pedro Miguel Gonzalez, who reportedly killed U.S. soldier Zak Hernandez, "expressed concern" for Gonzalez's safety because the U.S. authorities' $100,000 reward "still stands."

Carlos Carrillo said he trusts the Panamanian police authorities in charge of safeguarding Gonzalez. He pointed out, however, that the reward posted by the U.S. Government "poses a risk of physical harm against Gonzalez."

Hernandez was assassinated in Chilibre on 10 July 1992. The U.S. Government posted a $100,000 reward for information about the whereabouts of Gonzalez and two other suspects. Since 1992, U.S. authorities have kept an open file on Hernandez's death, for which Gonzalez, the son of Gerardo Gonzalez, legislator and president of the Democratic Revolutionary Party, has been held responsible.

Carrillo said that only Panamanian courts have the authority to prosecute Gonzalez and that the U.S. Government would violate the Panamanian Constitution if it attempts to arraign him. According to the Constitution, Gonzalez can be only be tried in his country and by Panamanian courts. Otherwise, established international practices and principles would be violated.

Carrillo also said that the Fourth Higher Prosecutor's Office has continued to gather testimonial, experts, and documentary evidence as requested by the Second Higher Court. The evidence includes videos, as well as accounts by at least 11 witnesses who have declared that Gonzalez was participating in a Panama University student demonstration at the time the soldier was shot, Carrillo said.

Nevertheless, three people have identified Gonzalez as the individual in the vehicle from which the soldier and his companion were fired at on 10 July 1992.

Commerce Minister Describes GATT Talks as 'Successful'

PA1702222695 Panama City Circuito RPC Television in Spanish 2300 GMT 16 Feb 95

[Report by Hugo Enrique Famania; from the "RPC Television News" newscast]

[FBIS Translated Text] Successful. That is the word Commerce and Industry Minister Nitzia de Villarreal used to describe the second round of bilateral talks between the United States and Panama regarding Panama's adherence to the GATT. The talks were held in Washington on Wednesday.

[Begin Villarreal recording] For example, the negotiations on industrial matters were concluded. This is progress, because of what it means for our manufacturing industry. [end recording]

Cigarettes and liquor are two of the areas in which there is no agreement yet. Panama explained what these areas represent in tax revenues to the country. There was

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progress on practically all issues in the agricultural area, but the meeting was not concluded because of the absence of the U.S. representative.

Ninety exceptions were presented, and no agreements were reached in four areas.

[Begin Villareal recording] I can mention poultry, pork, rice, and corn. [end recording]

U.S. negotiators are proposing a quota system for these four items. Villarreal says Panama will study this proposal and make a counterproposal.

Villarreal said that Panamanian negotiators agreed to a tariff ceiling of between 40 to 30 percent to be implemented in a gradual and progressive manner.

Meanwhile, the industrialists say that they still do not know what degree of success was achieved.

[Begin Luis Barraza de Freitas, president of the Association of Panamanian Industrialists, recording] We are still very concerned because of the list of exceptions and because of the number of products that may remain under licensed products regulations. This is where the productive sector—which has been the least favored in recent years—can be helped. [end recording]

Despite the skepticism of the industrialists, according to U.S. analysts, Panama could be entering GATT in June 1995. Proof that there is progress along this path is that during the second round of negotiations, the admittance protocol to GATT was discussed.

ARI Chief: President's Remark on ARI Misinterpreted

PA1602175295 Panama City LA PRENSA in Spanish 11 Feb 95 p 1A

[Report by Jose Quintero De Leon]

[FBIS Translated Text] Carlos Mendoza, chairman of the Interoceanic Region Authority (ARI) board, has described a report published in this newspaper yesterday as an erroneous interpretation of a remark made by President Ernesto Perez Balladares during a speech in which he referred to the "ineptness" with which ARI has been managed.

Mendoza, who in past weeks has been the target of attacks by opposition legislators and ARI General Administrator Jose Chen Barria, said over the telephone that when he consulted President Perez Balladares in his Miami suite, the president denied that the "ineptness" remark was meant for Mendoza.

In the opinion of the ARI chairman, the president's reference to "ineptness" made during his speech the day before yesterday at the Atlapa Convention Center when enacting the new IRHE [Institute of Hydraulic Resources and Electrification] and Intel [National Institute of Telecommunications] legislation was intended for Administrator General Jose Chen Barria.

Mendoza emphasized that the president could not have referred to him in such terms because they have worked very closely on the bill to modernize and revitalize ARI, and Perez Balladares trusts him fully.

LA PRENSA reported that Perez Balladares criticized the ineptness with which ARI had been run in the past 20 months of existence, since in practice it has done nothing. Administrator General Chen Barria, however, has only held the post for four months.

Chen Barria, in turn, dispelled rumors circulating yesterday that he had resigned in the wake of Perez Balladares' comments on his ideal administrator general.

Perez Balladares said it was not enough to be honest to administer the reverted properties, since that was a prerequisite. He said the post calls for leadership, vision, vitality, and development that he did not see in the current administrator.

According to Chen, he will not resign until the end, following the approval of the legislative reforms, or at least until the ARI Board asks him to. The ARI amendments will allow the "divestiture" of the reverted areas.

Meanwhile, the Coalition of Unions of Panama Canal Commission Workers [Coalicion de Uniones de Trabajadores de la Comision del Canal] (AFL-CIO) [acronym as published] warned the Legislative Assembly of the possibility that the ARI Law amendments will allow a "divestiture" of a substantial portion of the reverted properties.

Said Coalition is the Canal area's top labor organization. Last year it opposed the approval of the constitutional chapter on the Panama Canal that the Legislative Assembly debated and ultimately approved.

According to the Coalition, the wording of Article 2, No. 2, of the list of amendments submitted by the legislature's Canal Affairs Committee adds to the definition of "reverted properties" the concept "whose administration and full ownership," something that in the workers' opinion will exclude from this law a great deal of land, facilities, and goods that were negotiated before the revision.

The grounds for this argument are that the amendments to Law 96-70 that some want to approve in the United States, and the constitutional chapter on the Panama Canal approved by this country, allow the "wholly U.S.-owned corporation" as well as the "Panama Canal Authority," which was created by the constitutional title, to have unlimited powers and authority to sell, lease, and grant concessions on land, facilities, and other properties.

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Argentina

Peru's Goldenberg Thanks Menem for Help in Talks

PY2302023395 Buenos Aires TELAM in Spanish 0013 GMT 23 Feb 95

[FBIS Translated Text] Buenos Aires, 22 Feb (Telam)—On 22 February, President Carlos Menem met with Peruvian Foreign Minister Efrain Goldenberg, who thanked the Argentine head of state for his country's help in achieving a peace agreement between Peru and Ecuador.

Goldenberg said: "I have come to greet President Carlos Menem and Foreign Minister (Guido) Di Tella and to thank them—on behalf of the Peruvian people and government—for the great job Argentina has done together with the other guarantors so as to work out a peace agreement."

The Peruvian foreign minister, who arrived in Buenos Aires today, met with Menem in his office at Government House this afternoon.

Goldenberg pointed out that Argentina "fully fulfilled the guarantor duties conferred on it by the Rio de Janeiro Protocol."

During the brief meeting he had with Menem, Goldenberg was accompanied by Peruvian Ambassador to Argentina Francisco Ulloa.

Editorial Examines Outgrowth of Ecuador-Peru Conflict

PY1702020495 Buenos Aires LA NACION in Spanish 15 Feb 95 p 6

[Editorial: "Now Let Us Consolidate Peace"]

[FBIS Translated Text] With the cease-fire ordered by the belligerent countries on 14 February, hopes were suddenly boosted that the absurd war between Ecuador and Peru was finally on its way to the much hoped-for end.

Great efforts were pooled to obtain this cease-fire. Among them, one should point out the role played by Argentina, Brazil, Chile, and the United States, which in their capacity as the guarantors of the Rio de Janeiro Protocol of 1942 undertook the task of mediating in this conflict. They managed to keep the ball rolling both with regard to negotiations and peace expectations, even when the triumphal positions of the presidents of the feuding countries were at their height, as well as the justifications contained in their bellicose messages.

Peru and Ecuador both tried for three weeks to gain territorial advantages by advancing their troops on the ground and by promoting, accepting, or rejecting subsequent proposals for a truce, according to what suited them best at the moment.

Territorial losses and gains, as well as the loss of human lives and materiel by both warring nations, are at present being questioned, but for the time being the only real balance is an undetermined number of dead and wounded—they have not agreed on this point, either—for both parties.

There are no short wars. Unfortunately, this conflict has been raging for 20 nightmarish days, during which the efforts of the Latin American community to put an end to hostilities ran into the adamant triumphalism of both parties' rulers, who alternated their rhetorical requests for peace with impassioned harangues with a clear nationalist slant.

The sudden eruption of hostilities in the Amazon forest seemed to have taken the Americas—and not only the two feuding countries—to previous times, to the times of an anarchic, violent, and irrational Latin America.

Now that the chapter of guerrillas is closed and the era of military dictatorships is over, the Americas are trying to settle their minor differences through peaceful negotiations, and find themselves at the dawn of an era of integration and economic development in which, after many years of being left behind, one is beginning to see the possibility that our countries may start to realize their potential.

Amid these circumstances, which were so promising despite their difficulties, the war between Peru and Ecuador broke out as a threatening anachronism that seems to turn the pages of the calendar backwards to a time of violence and distrustful nationalism.

The two feuding governments laid hands on all the remnants of old confrontations to arouse public feelings. The concepts of brotherhood and the search for a common destiny, which had at times filled the rhetoric of the same rulers, felt into oblivion. The soldiers who were going to face death in the Amazon forest were told that the future of their homeland was at stake. This is, undoubtedly, the language of all wars, but given the capricious characteristics of this conflict, it sounded particularly ominous.

Good sense and a spirit of equality lead one to wish that there will be no victors or vanquished emerging from this conflict—and not only among the belligerent nations—besides the youngsters who lost their lives in the jungle. Latin America, which is painstakingly trying to project to the world an image of trust and security, by implementing sensible policies and by guiding their economies according to realistic principles, is at present showing another face, the face of a region in which unimportant differences can with irresponsible ease unleash internecine wars.

Once the hostilities are hopefully over, those who will have to answer for this war will have a lot of trouble finding something they can present as a reason for an action that took a heavy toll in human lives—whatever

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their number be—and that jeopardized the prestige and credibility of not only the countries involved in the conflict, but to a certain extent of the entire region as well.

In light of this possibly fragile cease-fire, which certainly contains a plethora of uncertainties, the international community, and the four guarantor countries in particular, must now work with Ecuador and Peru in a search for sound and definitive bases with which to consolidate peace, and banish for good from Latin America the infamous ghost of war.

Paraguayan Intelligence, Court Officials on Detained Arabs

PY2302004095 Buenos Aires CLARIN in Spanish 22 Feb 95 p 12

[Special correspondent for CLARIN]

[FBIS Translated Excerpt] Asuncion, Paraguay—A new clue in the AMIA [Argentine-Israeli Mutual Association] bombing in Buenos Aires appeared here following the suspicions about two Arab citizens who were detained on 30 January and who allegedly were involved in the terrorist attack.

Paraguayan intelligence and court sources told CLARIN yesterday that "at least two of the six Arabs who were detained" in an Asuncion suburb would be linked to the AMIA bombing. The terrorist attack was carried out on 18 July at the Once District in Buenos Aires, killing 86 and injuring more than 200 people.

A Paraguayan police source, who preferred not to disclose his name and rank, said: "We are 90 percent sure that two of them were involved in that attack." Nevertheless, the source did not hesitate in emphasizing that the two Arabs are Hizballah members. Hizballah is a pro-Iranian Islamic fundamentalist group that the Israeli intelligence service has pointed out as the possible perpetrator of the AMIA bombing.

According to information received from people linked to the investigation, CIA, Mosad, and SIDE [Secretariat for State Intelligence] agents have cooperated in capturing the Arab citizens.

At the beginning of the investigation, the investigators were attracted by the Arab camps in the tripartite border zone involving Argentina, Brazil, and Paraguay. The SIDE discovered collection sites where Arab community members donated their money to allegedly finance the activities of terrorist groups. On 18 February President Carlos Menem and his Brazilian counterpart, Fernando Henrique Cardoso, agreed to increase surveillance in this zone. This indicates that the two governments suspect that these groups might be active. [passage omitted]

Proceeds of Privatization To Be Collected in Debt Bonds

PY1902195495 Buenos Aires TELAM in Spanish 2233 GMT 17 Feb 95

[FBIS Translated Text] Buenos Aires, 17 Feb (Telam-SEM)—Horacio Liendo, the legal, technical, and administrative coordination secretary, announced on 17 February that the proceeds of all privatizations to be undertaken as of now will be wholly collected in Argentine public debt bonds.

This measure, which was adopted through Resolution No. 187 by the Economy Ministry, only exempts from the payment in securities the sale of a small quantity of stock certificates, which has to be paid cash.

During a news conference, Liendo explained that "any type of securities—like Bonex [foreign bonds], Treasury bonds, hydrocarbon royalties securities, Bocones [consolidation bonds], and external debt bonds, among others—may be used."

The first privatization to use this procedure will be that of the Futaleufu hydroelectric dam, which will be put out to tender in approximately 45 days. The government expects that it will fetch $200 million.

Liendo explained that "the successful bidder will be the one who offers the highest nominal value of the bonds plus their interest."

Asked whether this measure was adopted as a response to some economists, who argued that the government was using the proceeds from privatizations to pay current expenditures, Liendo replied: "We have never done that."

Economy Minister Domingo Cavallo had made the announcement of the payment of privatizations in securities at the end of 1994, before Mexico decided to devalue its currency.

The preamble of Resolution No.187 states: "The government considers it is necessary to give priority to the repayment of the largest possible amount of its external debt through a debt-equity swap mechanism."

Liendo made it clear that when debt securities have been issued in pesos, the Argentine National Bank exchange rate for the sale of foreign currencies at the close of the working day before the date of the transfer of securities will be applied to change the pesos into foreign currency.

Debate Over Nuclear Energy Privatization Viewed

95SM0174B Buenos Aires CLARIN in Spanish 29 Jan 95 p 16

[Editorial: "Nuclear Privatization"]

[FBIS Translated Text] The government's proposal to privatize Argentina's nuclear power plants, which received a new boost after the bill was sent to parliament,

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requires going more deeply into a debate which, though not lengthy, has already been satisfactorily resolved. The multiple doubts and objections that a variety of qualified experts have expressed in recent months merit careful analysis as part of an essential overall energy plan before irreparable decisions are made.

In response to local upheavals caused by the Mexican crisis, the government is now proposing to obtain new resources by getting rid of the last public assets left. Among the nuclear assets administered by the recently created Nucleoelectrica S.A., the nuclear power plants are the assets arousing the greatest official expectations.

The first objection raised in Congress concerns Nucleoelectrica S.A.'s valuation of the Embalse and Atucha I plants, offered at a bargain price. According to a number of experts, the $261 million price tag set as a reference value is insignificant considering the substantial sums invested in building the plants and the annual revenues they produce.

On the valuation issue, in this as in other privatizations the government appears inflexible in its determination to get rid of public assets, considering only their value as saleable commodities, without taking into account the actual physical assets. The stated objective is to find interested parties by offering an attractive market price. But when dealing with assets like nuclear power plants, when the almost nonexistent worldwide experience with privatizations of this type is considered, the situation becomes highly risky.

In addition to the usual considerations on this issue, the Ministry of the Economy has also proposed to change Atucha II's generating fuel from uranium to gas, which would make its construction cheaper and facilitate its sale. But on this point, it is necessary to consider that such a transformation would mean switching from an abundant fuel to a resource that is abundant now, but which is a nonrenewable resource. This requires a strategic evaluation that cannot be replaced by a financial calculation considering only the close of fiscal accounts in the short term.

Concern for safety in power plant operation is an issue that also awakens substantial doubts when evaluating the transfer of nuclear activities to the private sector. It is by no means a waste of time to recall the dangers inherent in using this type of energy: extreme measures must be taken to avoid accidents, and any decisions relating to the use of this activity cannot be subordinated to calculations of private profits. They must be considered as public assets, and, therefore, subject to state decision.

Another crucial aspect to be considered relates to the future of research and technological development activities, which for the past 40 years have been conducted by the National Commission for Atomic Energy within the context of a production-oriented project, creating a scientific facility with international prestige. Most experts predict that the drastic financial cutbacks caused by the dismembering being promoted in the official plan will irremediably smother the last vestiges of independent scientific and technological development still left in our country.

So a serious and in-depth discussion is needed on a long-term development model that will preserve assets as valuable as the ability to create the vital knowledge that our situation may require. It is now time for parliament to undertake this task, an effort which cannot be postponed.

Bolivia

Police Clash With Striking Teachers in La Paz

PY2102134695 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 21 Feb 95

[FBIS Translated Excerpt] Once again La Paz has been shaken by violence. Policemen and teachers cannot see eye to eye, and clashed at the Isabel la Catolica Square.

The police repression, on the first day of the 48-hour strike by urban and rural teachers federations, was again unleashed against representatives of the two sectors while they were staging a rally. This took place yesterday when a large rally staged by the two sectors reached the downtown area shortly after 1600 in an attempt to reach the National Education Secretariat.

One column of demonstrators took Federico Zuazo Street and Capitan Rabelo simultaneously, while the other took 20 de Octubre Avenue.

The incidents took place when a heavy cordon of policemen prevented the demonstrators from reaching the National Education Secretariat. The demonstrators started fighting and almost broke through the cordon. The first gas grenade was followed by several others, making the atmosphere unbearable. The incident started at 1708 and lasted a few minutes. The demonstrators, feeling the effects of the gas, reacted by throwing stones but were finally dispersed. [passage omitted]

Demonstrators, Police Clash Again

PY2202165395 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 22 Feb 95

[FBIS Translated Excerpt] As if it were the natural thing to do, violence broke out again during the rally staged by workers.

Last night on the third day of protest, acts of violence were staged by workers and government repression forces.

The workers staged a rally with torches seeking a favorable answer to the list of demands submitted by the COB [Bolivian Labor Federation] and to reject the reform of the education system being implemented by the government.

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The massive rally reached the downtown area via various routes. The police prevented the demonstrators from entering Murillo Square. One column went to Fides Radio station to attack its director. They hurled stones at the windows according to a report broadcast by its FM station.

The clashes in the old part of the city were triggered by demonstrators throwing wicks from their torches at the policemen.

The atmosphere was flooded by tear gas and was unbearable. No wounded nor arrested people were recorded. [passage omitted]

After the tear gas grenades were detonated small groups blocked several parts of the downtown area but then disbanded.

Coca Growers Hold Congress, Reject Government Plans

PY2002014595 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 17 Feb 95

[FBIS Translated Text] The congress of the five coca growers federations held in Chimore has decided to propose to Government Minister Carlos Sanchez Berzain and to the executive branch an alliance for having more coca plantations in the tropical region of Cochabamba because Harvard University said that coca is the best food in the world.

The congress decided that if coca eradication is implemented either voluntarily or by force in the Cochabamba tropical region, the women and children from this region will start the second phase of the march for life, coca, and national sovereignty from the Chapare to La Paz. The coca growers reported the new abuses committed by the Mobile Units for Rural Areas, Umopar, such as charging unjustifiable fees, extortion, and irregularities in relation to precursors. The coca growers also said that Umopar personnel are directly involved in drug trafficking.

The coca growers said they listened carefully to the proposals made by Government Minister Sanchez Berzain, but that in the three visits he made to Chapare, the minister was not able to attain his objective: first, separate us from the Bolivian Labor Federation and second, persuade us to eradicate coca.

Regarding the presence of Minister Sanchez Berzain in the congress held in Chimore, Cochabamba tropical region, the coca growers said: Fortunately, thanks to the maturity of the rank-and-file and the union leaders, the minister was not able to persuade us, to convince us to eradicate coca.

Regarding the Harvard University report, the U.S. Embassy in Bolivia clarified that Harvard University never studied coca as a source of nutrition, and never took a position on this issue.

Brazil

Monetary Council Adopts Measures To Restrict Consumption

PY2302111795 Sao Paulo AGENCIA ESTADO in Portuguese 2104 GMT 22 Feb 95

[FBIS Translated Text] Brasilia, 22 Feb (AE)—Central Bank President Persio Arida has just announced the following measures by the National Monetary Council [CMN], that seek to reduce excessive consumption. The measures are: the temporary suspension of leasing operations for automobiles; a reduction of the financing period of car buyers' clubs to six months; a ban on advanced payment offers in new car buyers' clubs, while advanced payment offers in clubs created before the CMN meeting may be made for up to 10 percent of the value of the good. Factoring [preceding word in English] operations considered financial intermediary operations will be treated as a managerial crime. Private social security enterprises may not use their technical reserves to grant financial resources to members, except for house buyers.

Cardoso Discusses Constitutional Reform

PY1702193095 Rio de Janeiro TVE Television in Portuguese 1335 GMT 16 Feb 95

[News conference by President Fernando Henrique Cardoso with "20 reporters selected from a draw" at Planalto Palace in Brasilia—live]

[FBIS Translated Text] [Waldvogel] I am Monica Waldvogel from SBT Television. The people who criticize the government, from both the allied parties and the opposition, say the government is excessively concentrated on the constitutional reform while other government actions that require greater administrative effort are not being well looked after. Evidence of this is a recent poll that shows that the main concern of the people still is health and education, which currently depend less on the reforms and more on administrative effort. Can more efficient actions in health and education be expected now that this stage of sending the constitutional amendment proposals to Congress is over, or will they come only after the amendments are approved?

[Cardoso] It was not the critics who said that; it was the president. Beside the reforms, there is a whole government administrative effort and there are many issues that are not subject to constitutional amendments but to administrative actions. I agree with this. The reforms, however, are important to facilitate things.

Let us look, for example, at the case of health. The social security system currently eats up practically all resources obtained from the social contributions, except for the Cofins [Social Investment Contribution] which is for the health sector. This has greatly reduced our capability to attend health needs. The reforms are important to counter this.

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As for education, we have already adopted measures. If you recall, I already participated in three events, and I will soon participate in another one to explain what we will and are doing in the field of education. We are not leaving education matters for later, we are acting now. The education minister has a clear plan of what he will do. Yesterday I gave a speech to the Brazilian University Rectors Council and told them that we will modify relation between the Finance Ministry and the universities.

We are thinking of granting universities financial autonomy, which is very important. We want them to assume responsibility for their expenses and not simply transfer them to the Treasury. We modified the role the Education Ministry plays in the education salary fund which from now on will be directly remitted to schools. This is unique, unheard of. The money will be sent directly to the schools because the community and the schools know what they need better than the bureaucratic channels.

We authorized that the distribution of school books in Minas Gerais State be directly made by the regional authorities. We will do the same in Parana State. We thus continue the initiative that began in the last administration to distribute school books. This is a program being implemented.

We are modifying, or at least we gave orders to modify, the basic school curriculum. Above everything, we are creating a television education system that is targeted not to the students but to the teachers because the basic education issue pertains mainly the teachers. [Communications Secretary] Roberto Muylaert is implementing this system with a lot of dedication with the cooperation of [Education] Minister Paulo Renato de Souza.

The federal government is not directly responsible for paying the salaries of primary school teachers. By making education salaries directly available to the schools—thus freeing the state and municipal governments from certain expenses—we can help increase the basic salaries of primary school teachers, which is needed.

In the past month and a half we have already done a lot in the field of education. With health, in the same manner, [Health] Minister Jatene adopted a simple but important measure.

First, our payments to the hospitals that rendered services to the Unified Health System are practically updated. With a stable currency a 30-day delay is bad, but not as dramatic as when there was inflation.

Second, Minister Jatene has changed the order of things. When I was finance minister, and even before, a lot of people interested in education complained that the government did not disburse funds for education. Well, he carried out some statistics and ha shown that there are many areas in where the hospitalization rate is much higher than the national average.

This happens even in prosperous states. It is strange that hospitals in prosperous states have more patients than those in states where there is more poverty. This is rather suspicious and until it is clarified, no funds will be transferred to those hospitals.

It is very easy to ask for large amounts while failing to improve the hospital management.

Improving hospital management is not a government task, yet the government has to create the appropriate conditions for reversing this trend, and for promoting quality in this sector.

Summarizing, I would say that emphasis in the education and health sectors will be placed on quality, not only on quantity.

Quality cannot be immediately obtained. It is a cultural process. Consequently, it is useless to ask the government to resolve the problem in one month and a half. Yet the emphasis has changed. We have also taken measures in those areas.

[Name indistinct] Good morning, my name is [name indistinct] of TV Amazonas. Mr. President, what will the federal government do, in partnership with northern state governments, to promote the Amazonas region and, especially, will anything be done to maintain the comparative advantages of the Manaus duty-free zone? If so, how will this be done?

[Cardoso] First, this question gives me a very good opportunity to talk about Amazonas. On other occasions I referred to government priorities for Rio de Janeiro, the northeastern region, and Rio Grande. Yet I believe I should also raise the Amazonas issue.

We have everything we need to change, to deeply change our views about Amazonas. I have more than once met with Amazonas state governors. The basic pact among them, and between them and the union government, is as follows: An image has been created about Amazonas, as if there were the intention of destroying natural resources. All the governors have confirmed to me that they fully support the new philosophy of sustainable development.

We will hold a meeting in the Amazon region. The president, those ministers who have something to do with the Amazonas region, and the involved state governors will meet to define government priorities for the region.

Above all we will convey—and later we will do it abroad—the certainty that sustainable development can be promoted in Amazonas, and that development cannot work against the preservation of nature.

That is the viewpoint of Amazonas state governors. Tourism is essential for the Amazon region, so is the appropriate demarcation of Indian areas and areas for mineral exploitation.

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I have committed myself to continue work on the Trans-Amazonas highway—which is in very poor condition—resuming the work on the Tucurui stretch, because that does not benefit Amazonas.

We have committed ourselves to building the Cuiaba-Santarem highway. Highways leading to Venezuela are being built. There are major problems to be resolved about the upper Rio Negro oil. There are commitments for using—in Boa Vista and Manaus—the power generated at the Guri (?dam), Venezuela.

Well, I would like to hear from the governors about priorities, and about a timetable for them, because allocations are not large.

Yet I do not want to make a decision here. I do not want to say something that I will not fulfill tomorrow. We will meet in the Amazonas region, if possible in March, before my visit to the United States in April, in order to show this new spirit.

We will try to avail ourselves of the abundant international funds, which will however be granted only if we make it clear that we have this new approach on the Amazon region.

We will give push the Sivam-Sipam [Amazon Region Surveillance System-Amazon Region Protection System] project, a major project for airspace control through radar installations in Amazonas, involving an investment of more than 1 billion reals [R].

Summarizing, we have a large number of subjects to discuss, and we will do everything there, in one day. Decisions will be made in the Amazonas region.

There is, however, a specific topic dealing with incentives, which is in the Constitution. No amendment has been proposed to change it. We must impartially examine incentives for that region.

We have to rebuild the BASA [Amazon Region Bank], to which we will designate someone based on technical criteria. Governors know this and they agree to it.

I have never been, I am not, and I will never be in favor of using public funds for political purposes. We will redesign the Sudam [Amazon Region Development Superintendency] and the Sudene [Northeast Development Superintendency], turning them into efficient regional planning organs.

I will do everything in my power to use Amazonas public funds, preserving the interest of Amazonas people, without political distortions.

Concerning the duty-free zone, it creates jobs, it continues to create jobs. I am aware of this, I am rather closely aware of it, because I debated on the subject at the Senate. I do not want to make an early statement, but a region like Amazonas certainly needs incentives to continue to grow.

[Simpson] I am Ian Simpson of REUTERS. Mr. President, several Brazilian and foreign businessmen have been disappointed over your proposals because they find them too limited. For instance, they would like to see the full privatization of Telebras [Brazilian Telecommunications Inc.] and Petrobras [Brazilian Petroleum Corporation]. What do you think of these complaints?

[Cardoso] They are not complaints; they are rather vested interests. I must look after the national interests. They look after their own interests. We will implement the privatization process in accordance with what we consider to be adequate for Brazil. We will implement privatization. We need foreign capital here. We are now trying to remove from the Constitution those provisions that could pose hurdles to privatization. Decisions regarding what should be privatized and when are matters affecting the national interest and I hope foreign investors will understand this and, instead of complaining, invest their money here because we have many good things here. Everything is open in the energy sector in which money is needed; at least $5 or $6 billion annually to prevent it from becoming stagnated.

We will privatize the Excelsa company, which is already on the list of companies to be privatized. We have reactivated all existing privatization process in the petrochemical area and expect to complete them. The Light power company and the Meridional Bank are on the list of companies to be privatized. There is no shortage of privatizable companies. Thus, I am the one who is disappointed about the lack of resources. Let them come.

[Garcez] I am Itamar Garcez from O ESTADO DE SAO PAULO. Will the minimum wage continue to be R70 until it is readjusted in May by law or until Congress approves the constitutional reform on social security? Has the government adopted any strategy to prevent Congress from overriding your veto of the minimum wage?

[Cardoso] Let us examine that issue quite openly. Everyone knows that the minimum wage is extremely low and so forth. Well, there is no reason to deny it or to fail to make a great effort to increase it.

We made a great effort when we increased it from R64 to R70 per month and kept this value stable. Let us take historical examples. Instead of just talking, let us take historical data. When did the minimum truly remain at $85 monthly as it is today? Today, R70 is a stable amount that is equivalent to $85. This value continues to increase as excess consumption declines. The value of the real continues to increase in relation to the dollar. Thus, the government's primary concern is to keep this value stable. Otherwise, you may increase the minimum wage to 100, but it ultimately drops to 90, 60, 50, as it had always happened in the past. Let us stop talking and look at the figures. Let us show the nation what happened to the minimum wage in the past and what is happening now. And why is this happening now? Because we are maintaining the purchasing power of

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wages, making sure the cost of basic food remains stable, and that the value of minimum wage is at least preserved. In light of the higher value of the real in relation to the dollar, the minimum wage has risen to $85 monthly, which we have achieved after a long time. Is this enough? No, it is not. The only problem is that we cannot take a step that would be detrimental to what has been achieved thus far. If I took a step that resulted, instead of maintaining of the value of the real, in causing the real to decline, I would be engaging in demagoguery.

I have asked the Social Security Ministry to examine the impact of a minimum wage increase on the social security funds. Let us take the meager increase of R15—a truly meager, shameful increase. Let us multiply 15 by 15 million; that is, the total number of social security beneficiaries. This would total R225 million monthly. If we multiply this by 12, then we would have R2.7 billion. This is the Brazilian tragedy. There are many poor people here. Many people are surviving on a meager income. Thus, sharp increases in the salaries of a few—and I do not favor this—have little impact on the big figures; but when virtually nothing is increased to the salaries of the many needy people, it has an impact on the big figures. This is the heavy social burden we have inherited. We must end this, but we cannot do it by decree. We will end it through the package of measures we are proposing here so that we can bring real changes to Brazil. Otherwise, nothing can be solved.

We have to make these calculations, if not people may say it is only R15, but they overlook the fact that R15 will ultimately become R2.7 billion. If there are no resources to cover the R2.7 billion needed for the social security expenses, the government will be fueling inflation and in so doing, the R15 will ultimately become—R20. The ultimate loser will again be the wage earner. These basic truths must be spelled out to the people.

Do you believe that if I could set the minimum wage at R200 or R500 monthly by a stroke of my pen I would not do it? Of course I would. [Social Security] Minister Reinhold Stephanes is making calculations to responsibly determine what can be done. I would like to make an appeal to you: publish the figures, not just the allegations. It is easy to just contend something. Verba volant, as the Latin expression goes. Words are not remembered, figures will perhaps be remembered. This is the issue. We are addressing the matter because the package of measures we are proposing is designed to increase the minimum wage permanently and on a long term basis. We are of course going to do something now. Yet we will do it bearing in mind the figures because I will not deceive retirees, workers, or anyone else. I will act in this way, but at the appropriate time, we will announce what we can possibly do now and, if I am persuaded that I can do more, I will do more.

[Garcez] [question indistinct]

[Cardoso] I am not concerned about the veto. I believe that by explaining to Congress the way things are and by outlining the measures, Congress—which is a new Congress—I am sure it will say....[pauses] it also has a great responsibility, that of approving the reforms, of preserving the value of the real. If the need arises, I will not hesitate in openly discussing the matter on television. Every signal I have received from Congress indicates that they understand the situation. I have spoken with the bloc leaders, with party officials, and they will help me increase the minimum wage. The Congress wants to increase the minimum wage just as much as I do. Thus, congressmen will give me the means to increase the minimum wage. No veto will be necessary.

[Fernandes] Diana Fernandes of JORNAL DE BRASILIA. Mr. President, Senator Antonio Carlos Magalhaes, a strong ally of the government, has criticized ministers of your cabinet and has gone as far as questioning some of your actions, such as your veto of the minimum wage hike bill? Is this attitude natural in your allies or do you think it should be avoided? Another question, would you classify Magalhaes' criticism—to which you vowed not to yield—as boisterous and just letting off steam?

[Cardoso] First, I did not have Senator Magalhaes in mind when I used the expressions boisterous and letting off steam. I was then meeting with union leaders. I spoke in general terms. I learned through the newspapers later that I had responded to Magalhaes. Unfortunately, I did not respond to anything simply because he did not say anything to me. Thus, I did not respond.

Regarding the matter of criticism, it is normal to hear criticism in a democratic system. People may criticize. He did not criticize me. What he said about the veto is what I have just said; that something ought to be done. This is logical. As a wise politician, he is aware of this. He knows the president also believes something should be done. Now, you know we are in a time when a little spice [pimenta]—not [Brazilian Social Democracy Party President] Pimenta da Veiga—[chuckles, laughter] is always added to my phrases. I am tired of reading that I criticized him or her when it never crossed my mind to do that.

The other day I read a report that Finance Minister Malan had denied something to Sao Paulo Governor Mario Covas and that the governor had defeated Malan. Things did not occur that away. Malan said something completely normal. He said: I need to know if your state is defaulting on its payments; if it is not, we can see. In sum, it is natural to add a little sensationalism to newspaper reports. When I used the expression letting off steam, it never crossed my mind...[pauses] everyone has a temper and Senator Magalhaes is a member of Congress. If he were a minister, he could not have said what he did. As a senator he may have his own opinion. He may say what he likes. Others may contend the opposite. If the president of the Republic is concerned about these things, he will never be able to govern Brazil. Let us respect each individual style as long as adequate

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limits are observed. Each one has his own style. Tomorrow or later, following the resumption of congressional activities, people may say other things. Even [Workers Party President] Lula demanded that I respond to Magalhaes. I did not know about it, but I will call Lula to make him my adviser.

[Sotomayor] I am Walter Sotomayor of NOTIMEX PRESS AGENCY. Mr. President, I would like to know about the difficulties that have hindered, for almost a month, the implementation of a financial support operation for Mexico.

[Cardoso] They are not our difficulties. This is a negotiation at a general, international level. Brazil has not caused any difficulty. I would also like to explain this subject here. There has been a lot of misunderstanding on the subject. Even polls were made in order to know whether or not to grant the money. The Brazilian Government has frequently done so. It did so with Cuba and it frequently does so, whenever necessary. Brazil has lent funds before now.

In this case it is a loan, not a donation. Yet someone has said: Why not build hospitals instead of giving money to foreigners? The money that is being kept abroad cannot be used domestically because it would be like an inflation machine. It should not be brought home.

Those who make a claim like this are aware of this, but they just seek to confuse the people. Those funds are being kept abroad, and I believe it is very important—not just to support Mexico—to implement an international reciprocal support system. Why? Because the world is today interconnected, and the economy operates at a global level with a very fast computerized system. A wave of speculation can hit one country today and another tomorrow. The international system must protect itself.

Making such a decision, Brazil is also thinking of all other countries, and even of Brazil itself. This is normal, those funds will be loaned, made available to Mexico at an international interest rate that will be, incidentally, slightly over than the rate that we are normally paid. Brazil will not lose anything, and it will be good for Mexico and for the entire world.

You know international negotiations are complicated. It is not Brazil but other countries which are making things more complicated.

Yet we believe it is important for Mexico to overcome its temporary crisis. As Senate President Sarney put it, Brazil—by virtue of its own Constitution—is committed to Latin American solidarity; and Mexico is a Latin American country.

This solidarity will not cost a single penny to the Brazilian people. Brazilian reserves are being kept abroad and will be merely transferred, formally, from one place to another, with an interest rate at least equal to the rate currently being received.

Consequently, it is normal, and Brazil will do it. Brazil will diligently strive to do so because it really wants to see Mexico recuperate as soon as possible.

[Unidentified JORNAL DO BRASIL reporter] No consensus has apparently been reached on several tax reform topics. The tax reform bill will be submitted after Carnival. There are apparently some discrepancies among economic team members themselves. The governors have already given their opinion. They seem to oppose it, resisting the reform in various ways. How do you expect to reach a consensus, and what are your guidelines for the reform, for redistribution of the tax revenue cake among the Union, the state governments, and the municipal governments? Still on the subject of taxes, if the reform implies the creation of new taxes, will such new taxes increase the tax burden?

[Cardoso] The governors can have no doubts or objections because they do not yet know about the reform. Last night I had dinner with six governors and no doubts whatsoever were raised. We are now beginning to introduce the reform. For the time being, it is a rumor which was not started by the governors.

I have talked with many governors and told them that they will be informed. They were not yet informed, so how can they be against it? They cannot oppose it.

The decision to rapidly submit the bill was made for two basic reasons. One is that I believe it is better for the country to become aware of each step. I do not want to overrun Congress or the public. Congress will play a decisive role, and so will Congressional leaders and parties. The country should therefore be aware of each step.

Second, and this is precisely to answer your question, because I believe governors and mayors must be informed.

The government will submit a proposal. Congress always has the last word on a Constitutional amendment and I have no right to veto it. Constitutional amendments may not be vetoed. That is a legislative branch decision.

It is therefore logical that we continue to discuss it at the legislative branch, improving things.

Third, no one wants to increase the tax burden but the tax base, that is, to have more people pay taxes, especially trying to prevent evasion. There are no plans to increase the tax burden.

Third [as heard], we are designing the models with a view toward avoiding losses in the distribution of the cake among the union and the state and municipal governments.

It is very difficult: To simplify the issue, increasing the tax base and avoiding losses, while making some changes. Governors will wonder: Will I lose anything? The other day I said: I also want to know, on behalf of the Union. Will I lose?

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It is logical that governors and mayors will also want to know. Consequently, things must be made clear. Economic team members do not disagree on essential points of this subject. There are only operational differences between team members, because it is a technical matter.

I need to form my own judgment on such operational differences. I will have my own judgment only after I see the figures, like I just said, about salaries, right? I want to see the figures.

Ideas are sometimes very beautiful, but what are their results? Do a simulation in the computer and we will see. This will be done with good faith.

The governors with whom I talked strongly support me. When I tell them what we will do—if they do not know, well, there is speculation—but when they see what we will do, they strongly support me.

They have asked me to go even further. They asked me not to forget the fiscal sector, that is, they also want to cut expenses. Some governors—like the Sao Paulo and Rio Grande do Sul governors—are making a big, difficult, painful effort, dismissing personnel. They need some rules to give more flexibility to the state and municipal administration, and this is what we will do along with the tax reform.

[Goulart] I am Deraldo Goulart of TV Gaucha. Mr. President, you chose the southern region of Rio Grande do Sul as a government priority. What will the government do? What action will be undertaken, and in which areas, to change the stagnation of the economy in that region, especially now with Mercosur [Common Market of the South]?

[Cardoso] First, we yesterday submitted to Congress a bill that is important for Rio Grande do Sul, a measure that resolves the problem at the CEEE [State Electric Power Company], because there was a problem that prevented continuation of the Candiota power plant project, which will increase electric power generation.

Second, it was not by chance that I elected a native of Rio Grande do Sul as transport minister. Why? Because highways and railroads are Rio Grande do Sul's current infrastructure bottleneck.

We are discussing with Rio Grande do Sul the transfer of federal highways to state control. Transport Minister Odacir Klein is working on it. There is a highway that is important for Rio Grande do Sul which also joins Parana, Sao Paulo, and Santa Catarina—the BR-116. We have IDB funds and we have maintained the local matching funds in the budget. We will build this highway.

On the other hand, Rio Grande do Sul has railroad transportation problems. Minister Klein will also take care of this. I have talked with Governor Antonio Britto and with Minister Klein. As I said about Amazonas and also about Rio de Janeiro—where we have already defined the projects—I want a clear definition of those key projects, and I will concentrate on them.

I believe the key projects are those that I mentioned in the highway infrastructure, including the Sao Borja bridge, which is important for joining the Mercosur region. A commission has already been created to the effect, and we will implement it. I believe our responsibility for Rio Grande do Sul basically deals with the power and highway areas, and this is what is being done.

[Olina] Good morning, Mr. President, I am Maria Olina of O GLOBO. The government has been adopting controversial decisions in the car-manufacturing area. Consumers cannot understand the decision to increase the Industrial Products Tax on low-price cars and import tax on imported cars. Is it not contradictory to modify rules enforced by the last administration, in which you participated as a minister?

[Cardoso] No, it is not contradictory. The economic policy demands fine tuning. What has happened? Car-manufacturing companies are committing themselves to heavy investments in Brazil, including in some parts of the national territory where there are more problems, in order to disperse investment concentration. [Industry, Commerce, and Tourism] Minister Dorothea [Werneck] estimates that this commitment will be—by 2000—between 9 billion and 12 billion reals or dollars, I am not sure. This is a heavy investment. This level of investment calls for certain measures. As these enterprises are multinational, from the point of view of their headquarters, it is the same for them to manufacture their products here or import them. If we make importing free, the enterprises will not invest here, they will bring the product from abroad. This is our option and we made a clear option. As I have always said, Brazil will continue to grow. This is an economic policy option, it is not a matter of reorienting the policy. The economy continues to be an open economy and it will remain so. We will do what other countries have done in this regard: Orient the economic policy toward investment. There will be investment. This is why we have increased import taxes on cars. This is the objective. By increasing import taxes we can also increase our trade surpluses that will be sustained. I must tell you that in 1995 we are again having trade surpluses. This is very important. The Mexican crisis has shown how important this is. This option also helps.

As for low-price cars, a huge surcharge is being charged on them. By increasing taxes, we will be simply reducing this surcharge. Therefore, nothing is being done against the consumers and nothing has been changed. I believe the Itamar Franco administration did very well, because it made this boom [preceding word in English] possible in the car-manufacturing area. It did very well. Yet we must adjust to the success of this measure. There has been success, so let us adjust ourselves to it in order to be able to take other steps. That is all.

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[Unidentified Brasilia Super Radio FM reporter] Good morning, Mr. President. You almost answered my question a little while ago. Considering that railway transportation is a fifth of the cost of highway transportation, and that waterway transportation is almost one eleventh of the cost of highway transportation, and considering that you have been adopting measures to develop this country—which is the size of a continent—I would like to hear your point of view about the country's transportation system.

[Cardoso] Well, I believe it is a crucial issue. We have placed too much emphasis on highway transportation and are now correcting it. Currently, there is an overall mechanism for waterway transportation, which must be expanded. This is a cheap form of transportation, and the work required to make it yet more feasible are mostly inexpensive—although some would cost a lot. We are preparing investment for the area, but this investment must be done in partnership with private capital. We are adopting the required measures for that. There is great navigability in the Parana-Tiete Rivers basin. Along the Paraguay River it is already possible to bring products from up north, from Caceres in Bolivia, down to the Palmira Port on the River Plate. It is true that this route crosses Paraguay and not our territory, but to do so it would be necessary to construct new dams which are expensive. There are immense possibilities in the Amazon Region and in the Tocantins River region. These possibilities are being studied, these projects are being drafted, because this is a cheap and effective type of transportation.

Railway transportation is also being examined. Consider, for example, the railroad that comes from the west and that will make it easier to bring products along the Belo Horizonte [Minas Gerais] and Vitoria [Espirito Santo] route, or through the route that leads to Santos [Sao Paulo]. This railroad requires the construction of a bridge to cross the Grande River and to connect the railroad to Sao Paulo. We will construct it. I have been discussing these possibilities with [Planning] Minister Jose Serra. We are just beginning this administration and are thus trying to reorient certain measures and to earmark resources, but our work is aimed in this direction.

The railway network issue is very complex and very serious. I have discussed it with [Transportation] Minister Odacir Klein. There are heavy debts to be paid and there are pending labor lawsuits. It is very easy to talk about privatization, and it would be very good to privatize the area, and grant franchises. To implement these two options, however, we must moralize and reorganize the Federal Railroad System, Inc. This project is being speeded up. [Former Transportation Minister] Goldman began the process and Minister Klein is continuing it. As I said in Rio Grande do Sul, this is a very important issue. Up north, at Suape Port, it will be very important to connect the network to the Sao Francisco River area, but we will need investment for that too. These investment packages require a great deal of studying. They also require the participation of the private area. The government definitively supports this sort of transportation.

[Gonzaga] I am Goulart Gonzaga Junior from ESATADO DE MINAS. Mr. President, I would like to ask you about the governors' forum issue. You know that the day after the elections, Minas Gerais Governor Eduardo Azeredo proposed establishing a forum of governors. He had successful experience in this regard when he headed the national forum of mayors. Several governors supported the idea, but others opposed it. They thought the forum might create confrontation and establish a parallel power. Governor Azeredo, however, wants this forum to be exactly the opposite. He wants it to facilitate conciliation and the presentation of alternatives. I would like to know how you feel about this forum, and whether it would really be beneficial and help the presidency of the Republic, or whether it would establish a parallel power.

[Cardoso] I am certain that Governor Azeredo proposed this forum to help the federal government. Last night I dined with some Brazilian Democratic Movement Party governors, with all of them, including Governor Azeredo, and we discussed these usual matters. I have already met the Amazon Region governors. I believe the idea is good. I am not certain, however, whether it should be a forum for all 27 governors. Governors have to face problems of a more regional sort. The northeastern region has the Sudene [Northeast Development Superintendency], and the Amazon region's governors have other problems, while the southeastern region governors have still others. However, I believe that all proposals seeking to join efforts to solve problems are the best possible, as long as the spirit behind the idea of the forum is similar to the one inspiring Governor Azeredo. Take any region, the northeastern region for example. The local governors should agree, as they are trying to do, to jointly ask the federal government for something. Otherwise each state will be asking for the same things. As the resources are not plenty, we would have to resort to Sophie's choice decisions: Do I kill this or that child? This is tragic. What will I do?. Meet the demands of this or that governor? It is not right to throw all these decisions on the shoulders of the president of the Republic, because this might give the impression that some things are not done simply because the president does not want to have them done. The fact is, however, that the resources are scarce. Therefore, as long as these governors' meetings are aimed at joining forces, I think they are excellent.

I must say that I have been finding very positive attitudes among governors of all parties, without any exception. Without any exception. People have been understanding the current Brazilian reality. I believe the governors will help very much. Their attitude does not reflect retrogression toward a governors' policy, which consisted of using the governors to exert pressure on the Chamber of Deputies. It will consist of having the governors propose to the federal government certain

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measures that the government can adopt in favor of the people. By doing that, they will be making legitimate use of their mandate and defending the interests of their states' inhabitants. The political parties, as well as their leaders, must continue to exist and to have great power. Yesterday I appointed the government leaders to the Senate and the Chamber of Deputies. I would like to say that I did this very consciously, because I was government leader in the Senate at the invitation of President Tancredo Neves. We will now begin a stage of debates on many constitutional amendments. It would be impossible for a single leader to take care of them all. Thus I divided the work: One leader negotiates some amendments, and the other the other amendments, depending on the area they work for. Today I will appoint Senator Elcio Alves [Liberal Front Party] to be my leader in the Senate, and therefore they will also work together with the governors. We will create a very positive atmosphere to change Brazil.

[Chagas] I am Carlos Chagas from TV Manchete. Mr. President, when a common citizen has some money left at the end of the month, he invests it in savings passbooks. These passbooks pay him or her an interest rate of 2.8 percent per month. When this same common citizen, or an enterprise, needs a loan, wants to cash a certificate, or buy in installments, they have to pay an interest rate of 12 percent per month. I ask you, doesn't this situation favor speculation, the arrival of foreign speculative capital in Brazil? I also ask you: In proposing amendments to the Constitution, hasn't the government considered the possibility of regulating Article 192 of the current Constitution, which establishes that banks can only charge interest rates of 12 percent per year?

[Cardoso] Regarding the first part of your question, the interest rates are functioning in an inadequate manner in Brazil. This is what you have been referring to, and it is true. You will have noticed that since January the actual interest rate has been continuously dropping. This occurred after my installation, and because conditions to implement changes have begun to exist. During the implementation of the Real Plan, it was necessary to maintain the interest rates high. You will ask me whether there will be a limit for this drop. The limit will be linked to inflation; we will have to prevent the creation of speculative stocks, pay attention to the external interest rates, and preserve our ability to attract capital. The interest rate has been going down, but this drop must be constantly monitored because of these limits I have just mentioned.

As to regulating the article on interest rates, the problem is the following: To establish the interest rate level in the Constitution is something complicated, because at certain stages the government must modify the interest rate. It would not have been possible to create the real if the interest rates had not been pushed up. If Mexico does not increase its interest rates it will not create the conditions to attract investment. This is why I voted against trapping the interest rate through the Constitution. This is not because I think the interest rate should be more than 12 percent per year, but only because I think the monetary authorities must have the possibility of making the interest rates flexible at certain moments. If everything continues to get along well, we will continue to implement the policy of reducing at least the primary interest rates in the Central Bank overnight market.

[Ferreira] I am Aparecida Ferreira of Radio Itatiaia of Belo Horizonte. Mr. President, you have just figured out how much the government would have to disburse to pay for a minimum wage hike. The government, however, has been timid in fighting frauds and tax evasion. The union leaders say that if the government fights these two things they will cease to exist, and the social security area cash flow problems will be solved. What do you think of this possibility?

[Cardoso] If the union leaders were sitting here in this chair, in the labor minister's chair, or in the finance minister's chair, they would see that we are intensively fighting tax evasion. They would also realize that the resources thus obtained are not that much. Not because there is no tax evasion, but because the tricks used to evade paying taxes are much more numerous than the government's capacity to discover them. We are talking about a culture of tax evasion. Through the fiscal reform, some measures will be adopted in this regard. The Itamar Franco administration, and now my administration, have been able to increase revenue by fighting tax evasion. It is not true, however, that fighting tax evasion yields very huge results.

As to your question about the social security area, you must remember that since the days of former Ministers Britto and Cutolo, and now under [Social Security] Minister [Reinhold] Stephanes, the government has been incessantly fighting tax evasion. There are thousands of obstacles to this fight, some of them legal, and sometimes when the government submits projects to fight tax evasion, these are returned to us in a way that makes this fight not so effective. Someone once said that only small- and medium-sized taxpayers evade taxes in Brazil. The big taxpayers do not evade taxes, they only do fiscal planning [laughs]. In other words, there are so many legal recourses allowing big taxpayers not to pay taxes that they don't pay them. If we check on the amount of income tax paid by corporations, we will realize that the income tax revenue is dropping. The enterprises are growing, the economy is expanding, and the companies are paying fewer taxes. And all this is done within the framework of the law. This is why the law must be changed.

We have always been trying to modify these laws. Right now, we will insist again. The finance minister and I have often tried to end bank secrecy. Thousands of problems. We don't want to suspend bank secrecy to pry into anyone's life. Well, as a matter of fact, the ones who do that nowadays are those who have direct access to the banks. There is no secrecy for those who have direct

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access to the banks. The government, however, does not have it. Whenever the government tries to gain access to this secrecy, this access is denied. If it were that easy to solve these problems I would gladly solve them. I am, nonetheless, open to any suggestions the union leaders may offer to fight tax evasion. I am entirely open to suggestions and willing to implement them.

[Moderator] The EFE representative Edgar Hernandez, from Spain, is here, but he is completely hoarse. He thus asked me to put a question to President Fernando Henrique Cardoso on his behalf. Mr. President, economic integration has modified our continental relations. You have special ties with several countries of the region. How important do you deem the first meetings you will hold with Latin American chiefs of state, and what will be the Brazilian policy for the continent?

[Cardoso] Well, I deem them extremely important. Tomorrow I will go to Foz do Iguacu, and then to Iguazu, in Argentina, to meet President Menem. This will also be the first meeting of the entire Brazilian cabinet with the full Argentine cabinet, and it will be held within the framework of broader cooperation between the two governments in light of Mercosur. On 28 February, I will go to Montevideo to dine with President Lacalle, who is leaving office. The following day I will attend President Sanguinetti's installation. He is an old Latin American friend of mine, since the days of the Economic Commission for Latin America and the Caribbean and all that. We will not be able to discuss anything because it will be his inauguration day, but we will convey to him our entirely fraternal relations with Uruguay. Right after that I will go to Chile at the invitation of President Frei and on an official visit to the country. This also shows that our concern over foreign relations is great. Why? Because the Brazilian Government believes that to strengthen all kinds of relations—first with the other Mercosur member countries, and then with South American countries in general—is very important. It is very important to strengthen relations with Chile, to achieve South American integration. Trade with Chile is very intense and active. We have a lot of affinity. We want to increase this affinity and the scope of our mutual interests.

Now, Chilean investment in Brazil is welcome. They have great experience in the area of telephone communications and in the energy producing area. We will increase the participation of foreign capital through privatization and franchising. We need the capital of other Latin American countries, particularly Chilean capital. You all know my zeal and my interest in resolving the Ecuadoran-Peruvian conflict. I just spoke to the Ecuadoran president before coming here. These are fraternal countries, and we must ensure peace between them. Brazilian relations with Venezuela have been exceptionally good. President Itamar Franco started a very positive stage of relations with Venezuela, and I will continue to make efforts to preserve these relations.

We have good relations with Colombia and, needless to say, our relations with Paraguay are very good. The same goes for Bolivia. I believe that they are our most immediate neighbors and lie in the field in which we can act. Our natural environment is South America. It is not so much the Caribbean or Latin American countries. We belong in the hemisphere, with the United States, Latin America, the Caribbean, and Canada, but the other South American countries are our neighbors. Therefore, for thousands of reasons of political, cultural, and economic order, we believe this is important. The fact that we can now hold talks with the EC through Mercosur is very significant. It is very important, and we are already maintaining an active dialogue with them. This does not mean that we should not give special attention to other countries.

I will visit the United States in April, on an official visit also. Brazilian relations with the United States have never been better. They are very positive, but their positive aspects must be transformed into an agenda that allows the two countries to take steps that may be beneficial to them both—and that are beneficial to our country, so as to create a favorable atmosphere, not only for investment, but also for the transfer of technology and knowledge, because our future depends very much on that.

I will also go to Europe to attend the commemoration of the allied victory during World War II, because Brazil was the South American country that deployed troops during that war. I will thus be there. I will visit Portugal, France, and other countries. Yet the South American countries are our neighbors. I thus believe that our diplomacy, which is of an exceptional level, will continue to work hard to expand our relations with the other South American countries.

[Trindade] I am Jose Maria of Radio Jovem Pam of Sao Paulo. Mr. President, you are now proposing several amendments to the Constitution that entail true reform. The Constitution could not be reformed without discussing ideological issues. You have rejected the neoliberal label attached to your administration. Yet you want the support of the Liberal Front Party [PFL]. I would like to know how that is, and what you mean by nah-nah, nah-nah. [laughter]

[Cardoso] I will now tell you now what nah-nah, nah-nah means. Let us take the neoliberal label and the PFL issue. Look, the PFL follows the line of social liberalism, as the party has defined itself. When we talk about neoliberalism in Brazil, we mean that we want the state out of everything, and leave everything to the market, and let the market forces resolve everything on their own. This type of neoliberalism cannot be implemented in practice. I use nah-nah to describe something that is pure ideology [laughter]. What is pure ideology? Something that exists only in words and cannot be put into practice. It cannot be translated into practice. I have always been very realistic. I call those things that cannot be implemented

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into practice nah-nah. Let them talk. Let them use whichever label they wish. I was once asked if I had read the Washington consensus. I confessed that I had never read anything about the Washington consensus. I only read it later. It consisted of those IMF measures, which we did not implement.

Brazil was the only country to conclude a large debt renegotiation agreement without an IMF stand-by loan, because we chose a different route.

Thus, when I hear comments to the effect that we will have a crisis similar to that affecting Mexico, because we have a neoliberal policy, I want to say that Mexico is not enduring this crisis because it follows a neoliberal policy. The crisis was provoked by other reasons. Mexico does not have a neoliberal policy, either. The Mexican state plays an enormous, overwhelming role in the economy, even larger than that of the Brazilian state. Mexico has not privatized virtually anything, neither petroleum nor anything. Mexico is still suffering a crisis. Is it having this crisis because it did not privatize state-owned companies? No. The crisis was provoked by other reasons.

As a former professor, I do not like to engage in vague, imprecise discussions, because they lead nowhere. When you put a label on something, instead of clarifying things, you are confusing the issue. What you have to examine is the behavior, what it does, and not even what the government vows to do. This is therefore what I call nah-nah. Putting labels on everything would make you become an impractical visionary [laughs]. I do not like that.

[Ortiz] I am Delis Ortiz from TV Globo. Good morning, Mr. President. You have just said that he who does not know how to retreat would lose a battle. To what extent are you willing to retreat, taking into account that your campaign motto was an open hand with the five fingers representing your five priorities, which appear to be unchangeable? As long as the constitutional amendments are not approved, the government will continue to remain a hostage of Congress. Your campaign promises depend upon the resources that will be available only after the constitutional changes. During the period during which Congress will discuss the constitutional amendments, what is going to happen to emergency services for the destitute?

[Cardoso] Let us see. In the first place, it is good to be a hostage of Congress. Congress is a nice place, where Brazilian problems are discussed. What would be bad would to be held hostage in prison. It is not bad to be held a hostage of Congress. This is just an expression, which I myself have used, but only to say... [pauses] There are many other things that we can do without having to go through Congress. It is good, however, to get many things done with Congress. I am thus a voluntary hostage of Congress. I am speaking figuratively. He who is unable to hold a dialogue with Congress is unable to do so because he has an authoritarian trait, which is not true in my case.

Now, many things can be done that do not require congressional approval. For instance, you mentioned the situation of the destitute. The Community in Solidarity program does not require congressional approval. It entails the best possible use of the resources already allocated in the budget. Instead, it entails an effort to make a better use of our resources.

Revenues in Brazil have increased markedly thanks to our fight against evasion and to some tax measures adopted under the Itamar Franco administration. In real terms, I believe that our revenues have increased by 70 percent since 1992 to date. That is not a small increase. This has been a government achievement. It was not the work of... [pauses] Congress also helped by approving the IPMF [temporary tax on financial operations], which no longer exists now.

There are thus measures such the ones the Congress has just passed, important measures such as provisional measures 812 and 813, which will also yield resources. These laws have no constitutional rank, but they also yield resources.

I will submit to Congress some measures that Social Security Minister Stephanes is drafting now. These measures, which will yield resources, do not have constitutional rank. They will therefore have to wait for the approval of the constitutional amendments.

The reforms are essential for Brazil and for our people. They will be good; the people should want them because they will create better job conditions, and they will bring more investment and more guarantees.

All right. We will not, however, sit idly by waiting for the reforms to be approved. While the constitutional amendment process is under way, we are addressing other issues.

The Law on the Franchising of Public Services has been approved. This law has opened up enormous prospects for partnerships to build roads, to generate electricity, and to build ports. This law is not in Congress. It is incumbent upon the government to take action now.

This is what I have been saying: In addition to having its leaders seek support in Congress and ask for votes for the constitutional amendments, the government will continue to work.

Health Minister Adib Jatene will have to work whether there is a constitutional reform or not. The same goes for Education Minister Renato de Souza, and for the agriculture minister.

To finance agriculture, to gradually create conditions to deliver on my commitment to eliminate the TR [reference interest rate], we do not need congressional approval. Exchange and monetary policies, everything is difficult. But if we did not have any challenges, what fun would it be to be president of the Republic? It would be a task devoid of surprises. I would like to confess to you

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that I have surprises every day as new difficulties arise. From time to time, however, I have the pleasure of overcoming difficulties.

I hope that with great faith and confidence, with a great deal of energy, with the help of the Brazilian people—who continue to lend me their generous help and give me their confidence, despite those who are trying to say no to us—with this kind of help, with this positive atmosphere we are enjoying in Brazil, we will be able to deal with those surprises with great calm. Will this be the last question?

[Moderator] No, there are still four questions.

[Saldanha] I am Patricia Saldanha from the Knight-Ridder news service. Good morning, Mr. President. Brazil will be collecting one of its largest harvests ever, nearly 70 million tonnes of grain...

[Cardoso, interrupting] Seventy-six...

[Saldanha] Seventy-six. However, the high value of the real with respect to the U.S. dollar may discourage exports. Brazilian farmers are also bitterly complaining about the high cost of farming loans, which are subjected to the TR. Because of these two problems, the Brazilian Government may again be the main purchaser of the upcoming crop. My question is: Do you plan to take any measures to modify this situation? What can you do to make rural loans less expensive and encourage exports? Additionally, are there chances of attracting foreign resources, because interest rates are lower abroad than here?

[Cardoso] Well, in the first place, what we are doing today is a rural contract that is no longer tied to the TR but to the TJLP—long term interest rate—of the National Bank for Economic and Social Development. The TJLP rate is an average of the interest rates paid on Brazilian securities abroad, of the interest rates prevailing in Brazil, of inflationary expectations, and of other factors. This is the TJLP. This has already brought a great deal of relief to farmers. They are no longer under the command of the TR. They still have, however, some old contracts tied to the TR that are now being discussed and negotiated.

To put all this in more simple language, I would say that the problem is because the interest rate is high—and as these are binding, enforceable contracts, the farmers are demanding that someone pay for it, and that someone should be the Treasury; that is, the people. Right? Then, it is not easy to resolve this problem, because the contract was signed under normal conditions, with its terms accepted by both parties. It has been undeniably very difficult for the farmers to meet the terms of the contract. We will thus find a way to resolve this problem. To resolve it by making the Treasury pay it would be the easiest way out. The only problem is that when we do that, we would be making the people pay for it. I cannot authorize that. We are renegotiating that part. The TJLP contracts have been accepted. The TR contracts are being rescheduled. We are looking for ways to mitigate the burden of the farmers, who truly cannot shoulder such a heavy burden.

There are also loans granted under the Rural Finame [Fund for Financing Machinery and Equipment] program, which also entail binding contracts that can only be changed through new laws. Like any contract, one can either pay or not. They may also be renegotiated. We are discussing all these possibilities, such as extending the payment terms.

Now, we cannot propose a new law, because it would affect all of the contracts. This way, even those who could pay and have already paid will be ultimately benefited. Negotiations are thus under way.

We created the rural identification card. It was my initiative during my tenure as finance minister. Based on this document, farmers have far greater chances of engaging in direct negotiations, without having to go through the government. In sum, the government is discussing internally and with the farmers how to do this. The government realizes that, as soon as possible, it must... [pauses] I hope the National Monetary Council will define next week the rules for financing, because farmers cannot be left wondering. We must determine what resources will be made available to finance the harvest, because if this does not happen, what you said will happen, that is, the government will end up buying the bulk of the crop and this will be worse for the government.

Again, the TR is a heavy burden we have inherited, and we will have to gradually take action to eliminate it. Exports are not declining. They are going up. Again, one thing is what you hear, but the facts are altogether different.

Whenever the government notices the existence of risks, it takes action through its mechanisms. Yet if the government responds to alleged risks, it will end up benefiting certain groups. We cannot do that.

[Lago] Good morning, Mr. President. I am Rodolfo Lago from ZERO HORA. The PMDB [Brazilian Democratic Movement Party] dispute over the leadership in the Chamber of Deputies gave the impression that the creation of the government leader in Congress was just a move to accommodate forces, because the reforms, which will be the new thing in the congressional routine, will be voted on separately by the two houses of Congress. Why did you agree to create the position of government leader in Congress, and what would be his role?

[Cardoso] No, it was not a move to accommodate forces, because I could have appointed only one. The government leader is the one appointed by me. If the PMDB wants this or that, that is another problem. I may appoint a government leader from any party. He does not have to be a PMDB member.

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There is something else. Look, let us suppose that the government proposes 30 amendments between now and early March. This means that 30 committees will be created in the Chamber of Deputies and another 30 in the Senate. One leader alone will not suffice, because negotiations will have to be conducted through the government leader. We are thus going to have three leaders, two in the Chamber of Deputies and one in the Senate.

Furthermore, under the congressional internal regulations, when the Chamber of Deputies approves an amendment it will go to the Senate. If the Senate modifies the amendment, it will go back to the Chamber of Deputies, which will start from square one again. The Chamber of Deputies has to start the process all over again.

It will thus be very important for the government leaders to make sure that the Senate is involved in the negotiations from the outset in the Chamber of Deputies, so as to eliminate the chances of major changes in the Senate. We do not want the Senate to be excluded from the process. It would be pointless to tell the senators: You cannot make changes because if you do that the Chamber of Deputies will have to start from square one.

To prevent this from happening, the Senate must participate in the negotiations from the very beginning. I need to have more government leaders. This is the reason. I did not appoint three leaders only to accommodate forces. The government leader in Congress will carry a lot of weight, just as much weight as the other leaders. He will be accorded the same treatment; he will have the same status in Congress. I will work together with the three leaders. They will play a fundamental role in what has always been demanded from me: to set up communications channels with Congress. Are they complaining now because they have too many channels? They did not have any before.

[Fernandez, in Spanish] I am Lucas Fernandez from AFP. Good morning, Mr. President. First off, I apologize for speaking in Spanish. On 14 February you mentioned to a group of union leaders a warning made a few years ago in Brazil by former Communist leader Hugo Napolitano, to the effect that, in the economic field, either we go international or we will be internationalized. You said then that Brazil has its model for joining the world economy. Observing that most countries in the continent are following the same guidelines—reform of the state, privatization of state-owned companies, overvaluation of the local currency, deregulation of imports, and liberalization of the market—what characteristics will differentiate Brazil from the processes under way in Argentina, Mexico, and Chile, for instance? Which will be the original, specific measures that will not follow the standard model?

[Cardoso] In the first place, Napolitano was not a Brazilian leader. He was secretary for international relations of the Italian Communist Party. He coined that phrase. At that time it seemed impossible to accept the idea of internationalization. In a speech I delivered in the Senate, I spoke about sovereign integration, or something like that, and I was widely criticized. They said I was on the wrong track. I was simply noticing—I was well informed because I had been traveling around the world—that internationalization was already occurring. I then wanted to raise the issue of placing national interests in the context of a globalized economy. National interests do not disappear in a globalized economy. Or do you think that the Americans do not have their own interests, or the British, or the French? They do. So do we.

Well, this is the idea. Economies become internationalized, but each country must think in terms of its own interests.

Concerning the four countries you mentioned—Argentina, Chile, Mexico, and Brazil—none of these cases are identical. I cannot remember how many times I mentioned to you that we are not becoming dollarized, that we are not going to establish an even exchange rate between the real and the dollar. Some claimed this is dollarization, that this is disguised dollarization. The minister, the president.... It was not a dollarization. It has now become clear that it is not.

Well, Argentina became dollarized at a certain point. [Argentine Economy Minister Domingo] Cavallo told me: No. We have not become dollarized. Rather, we strengthened the peso, which was already totally dollarized. It is true.

Yet Argentina established a direct relationship between the peso and the dollar by law. We did not do that here. We kept our exchange policy flexible.

Chile did something similar. Chile made a quite progressive move. Chile set up barriers to the entry of foreign capital, just as we did. Our reserves were not based on a flow of erratic capital. Additionally, the speculative capital invested in the stock exchanges is small in Brazil compared to what happened in Mexico, for instance. Why is that? Become some economists are more competent than others? No, because the situations are different. Brazil is a strongly industrialized country.

As a strongly industrialized country, Brazil must guarantee certain basic conditions to allow other countries to compete with its products. It must also look at the exchange policy from this standpoint. Brazil cannot take a stand similar to that of less industrialized countries.

Brazil maintains trade ties, virtually on the same level in terms of volume, with Africa, Latin America, the United States of America, Asia, and the Middle East. Some people said that the real is overvalued by 15 percent, but this is true only in relation to the dollar, not in relation to the Japanese yen, or to the German mark, which have also gained ground in relation to the dollar. Thus, those

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trading with yen or marks do not sustain the same relative loss as those trading with the United States.

A country having all its trade geared toward the United States must have a different kind of concern in this regard. It is in this respect that I have said that our situation is different. We have never favored megadeficits. On the contrary, we have also had a trade balance surplus. Our surplus last year stood at more than 10 billion reals.

Mexico has always had a trade balance deficit, and it has always closed its accounts through short term capital, which made it more vulnerable. It may have had other advantages through a more rapid integration with the United States. It is in this respect that I say that we, that each country—and this does not stem from reasons of different mentality—has its own problems.

Take Chile, for instance. Chile is a country that can integrate with greater ease that Brazil, because Chile exports copper, which is a commodity, flowers, natural products like—it used to be fish flour—and now some salmon.

Chile has the advantage of seasons. When in California it is winter, it is summer in Chile, and vice versa. Therefore it can export in alternative seasons. It is a country that can integrate easily to the hemisphere. Therefore you cannot tell Chile that it is better for it to restrict its trade only to Mercosur [Common Market of the South]. Chile cannot do that. It has its own relations.

For Brazil and Argentina it is an advantage to remain tied together. Look at what happened with our bilateral trade. It has increased greatly. I think that Chile is coming to a moment when it must get closer to Mercosur. However, we understand what Chile is doing.

When Mexico joined NAFTA, the Brazilian Government immediately applauded such a gesture, because the situation of Mexico needed that. Does that mean that Brazil is running in the same direction? No. Brazil must carry out other complex negotiations. Brazil has always preferred to negotiate through the four-plus-one formula. That is, Mercosur plus the United States, to arrive at the 2005 deadline, the date we agreed upon in Miami during the hemispheric summit.

That is the peculiarity of our own productive system. We are a country like the United States, we are a great producer of agricultural and industrial products, and now of services, like software and other things. The Brazilian economy is very complex, more so than those of other countries. This does not mean it is better or worse. Sometimes when one is less complex it is an advantage. However, we are a complex country. Therefore we cannot copy models.

They say he is following a Mexican or an Argentine model, that he is a neo-liberal, or that he is something else. My God! Let us look at reality. Let us not use labels. We have a certain complexity and a responsible government, and especially a democratic society. When you press a wrong button here, someone else shouts elsewhere. This country must follow its own path. It is not a matter of being unique or of being the first. It is not a matter of going the opposite way from the rest of the world. No, we are going in harmony with the rest of the world. Let us place our aircraft in a position in which the wind will blow from the back, and not from the front.

[Franca] Good afternoon, Mr. President, I am William Franca from FOLHA DE SAO PAULO. In your first speech to the nation you announced your veto of the minimum salary increase. You also said that you would reduce your salary by 25 percent. A lot of people called that demagoguery, a word you said you do not like. I ask: What would citizen Fernando Henrique Cardoso do if he received a minimum wage of 70 reals per month?

[Cardoso] The same as you would. That question is demagogic. What would you do with a minimum salary? You would not survive. That is a senseless question. Because the answer is obvious, and it does not solve the problem. We are struggling to improve the minimum wage. The minimum wage is unbearable, unacceptable. It is a shame. It was not established by either me or you. It was established by several distorted situations that created an unfair society, against which I am fighting. But when you ask a question like that, my only reply is that I would do the same as you. I would not be able to do anything. I would despair, and we cannot allow millions of Brazilians to despair. This is why we must implement reform. This is why we must be serious, and not funny.

Views Reforms, Lines of Action

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[Address by President Fernando Henrique Cardoso on the occasion of presenting the constitutional amendment proposals sent to Congress, at Planalto Palace in Brasilia—live]

[FBIS Translated Text] Good morning. Thank you for your presence here on this, the first collective news conference I have granted since becoming president of the Republic a month and a half ago. I really asked for this meeting because today I have sent to Congress the first of a series of amendments to the Constitution.

I think it is important to call the people's attention to what is happening in Brazil. First, I want to clearly state that I believe there is great demand for the reforms. It is a moment of optimism, a moment when Brazil is beginning to awake and realize that the country has the conditions for a positive future for its people. We live in a country that can now make decisions calmly, a country that has reorganized. Among its achievements during the last few decades—which I think is most significant and

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which ensures possibilities for the people—is that we are a really democratic country.

This is very important, especially for someone like me who is currently president of the Republic and who has a long history of resistance against authoritarian regimes and of struggle in favor of democracy. I can calmly tell Brazil and the rest of the world that we have an established democracy.

I am not referring just to our democratic institutions, which are very important and which have been object of so many struggles in our past. There is no longer a need for struggles because they have become the triumphs and guarantees that exist in the Constitution and in the functioning of our institutions.

I really mean much more than that. I refer to the fact that at the same time that the institutional reconstruction took place, Brazilian society suffered a transformation. The current clamor is not only for freedom but also for rights, which is different from the atmosphere of freedom. The atmosphere of freedom exists, but the clamor for rights and the people's capability to organize are really remarkable.

Why is it that now that I am sending the constitutional amendment proposals I refer to freedom and democracy? It is because these amendments are the continuation of that which the country desired. They are not simply the desire of the president or of a group of experts, no matter how competent they may be, or of political pressures [few seconds' break in reception]

I won the elections by saying what I think and what I will do. I am only continuing the desires of the Brazilian people who voted for me. They voted for me knowing that we would implement changes, they voted for me because they want changes, and they voted for me because they trust that these changes will improve Brazil.

It is not simply a matter of adjusting the government apparatus. It is not a matter of finding a better way to charge taxes and better distribute them. It is much more than that. We must implement the reforms that will allow us to live—like we do now in democracy and where society can get organized to demand—and meet the people's demands in a stable and lasting manner, not only for the people in power or for the current generation, but for the future.

We are now a country that no longer is daily threatened by inflation. We no longer have the ghost of unemployment looming over Brazilian families. We are beginning to see a horizon of prosperity and progress.

To maintain this horizon, to create effective conditions that will allow Brazilians a better life, we are preparing some amendments to the Constitution so as to allow this country—which first struggled so much for democracy and then struggled against corruption, only to have to fight for the stability of the economy until it attained a respectable currency like the real—to realize that this is not a simple moment that will pass by, but it is really a path that is being trod firmly and calmly.

Without the reforms I would not be able to assert that the path to economic stability is free from obstacles. Without the reforms I would not be able to assert that we will have the conditions to end the serving to parochial interests and to restrict corporativism to its legitimate area which is the appropriate defense of those who work no matter in what sector.

Without reforms, I will not be able to say that people will have the guarantee, in the future also, of a dignified retirement, which all Brazilians rightfully yearn for. Without reforms, we will not be able to ensure that the current economic growth will be sustainable because there will always be obstacles to attract private resources which are necessary to expand investments, transform our economic infrastructure, and ensure something that is fundamental to Brazilians: more jobs and better salaries.

The real means that to the people, to the most destitute. They did not want to know technicalities about how the government managed to create the real. They were not interested in learning whether it was inertial inflation, a way of increasing or reducing the monetary base, or whether the government had opened the economy. These are abstract concepts for those who have their daily lives marked by the lack of money to go to the market or grocery store at the end of the month and pay for their shopping. These are abstract concepts. They are very important, but what seemed really important to the people is that they realized that at the end of the month their money was worth as much as it was at the beginning and, as a result their standard of life had improved. The real has been a conquest of the people. It may have resulted from the government's efforts and I must again express my thanks. I now thank Minister Malan, the current finance minister, who so intensely participated in the entire process, and those who drafted and defined the new currency. All this is very important, but what is really significant, as I have so often repeated, what really guaranteed the success of the real, was the fact that the Brazilian people realized its importance and believed in it.

This is my first commitment. It is not my commitment, it is our commitment, the commitment of those who know that it is now possible to continue to implement these reforms within the framework of economic stability. It pleases us all very much to see that the inflation rate continues to drop. Those who insisted on repeating during the electoral campaign that the Real Plan had electoral objectives and would be suspended the moment I was installed were mistaken. The inflation rate continues to go down, and we will do our best to maintain it low. Inflation cannot be eliminated through one single act. It is a process. The government is aware of that and will adopt the required measures to ensure its success.

I will repeat today what I have been saying for the last few days: Politics is not the art of what is possible. It is

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the art of making possible what is necessary. We will do whatever proves to be necessary. To preserve the purchasing power and the value of the real, we will adopt the required measures, even if they are apparently unpopular. I have never been afraid of a temporary lack of popularity, because I am not a demagogue. Whenever I adopt a measure, it is because I am, at least, convinced that this measure will have positive consequences. If I am shown that it will not, I withdraw it without fearing headlines stating that I have gone back on a decision. Only those without a sense of responsibility never go back on their decisions. If one realizes that one is wrong, he or she should go back on the decision. In a battle, those who do not retreat are defeated. It is necessary to retreat and approach the objective sideways. The objective, however, must be maintained and there must be continuity in the efforts to reach objectives. The country's objective is to maintain the inflation rate low. We will do what is possible, and even what is impossible, to maintain it at levels that are compatible with the purchasing capacity of the Brazilian people. This is the meaning of ensuring the purchasing power of salaries. This is the way to ensure the wellbeing of the people. My hand will never sign a demagogue measure, even if it is applauded, because it may—soon afterward—erode the purchasing power of salaries through an increase in the inflation rate.

Very well, in order to continue treading this path, we must now really obtain approval for the needed reforms. The country is clamoring for these reforms, as polls results show. All results point in the same direction. There can be a doubt here, another one there, because the text of these proposals is still unknown. The truth, however, is that the country has been yearning for these reforms. The country understands better the reality of the current moment than certain organized groups sometimes do and, for this reason, oppose them. They oppose them because they have interests, which are often legitimate if analyzed from the strict point of view of these groups. These groups, however, have not grasped the meaning of the overall set of measures, which are necessary for the majority of the people.

It is, therefore, with a very positive spirit that I am sending the initial proposals for the reforms to Congress. With a very positive spirit. I believe it is entirely out of focus to see some people trying to resist the reforms. Only those who have privileges want to resist the reforms.

Regarding these reforms, I will repeat two sentences I used during my inauguration speech. Please allow me to read one, it refers to the Senate and says: Brazil needs changes as much as it needs continuity. It needs continuity in its changes, and it needs changes with continuity. We will continuously implement changes. In another sentence, I asserted that every time I had a problem choosing between the interests of the privileged minorities and the interests of the majority, I would side with the majority.

Privileged minorities frequently label themselves as people, which is the best way to maintain privileges. But a responsible political leader or chief of state must demonstrate that the people's interests cannot be confused with the interests of those who use the people's name to defend their own interests or privileges. I will not be deceived, and consequently defend what are apparently the people's interests, when what is really needed are changes to definitively ensure the interests of the majority.

These first amendment proposals we sent to Congress today deal with the economic order. Next week we will present subjects dealing with the social security system, and soon after we will present subjects pertaining to the tax and administrative reforms and some aspects of the financial reform. This is not the complete agenda of reforms the country wants. The political reform is also very important.

I have told the congressional party leaders and the presidents of the Senate and Chamber of Deputies, both of whom are dedicated to the reforms—yesterday Senator Jose Sarney gave a speech reasserting this commitment—that it is the legislative branch's duty to design the political reforms. This does not mean that I will not give my opinion on this. On the contrary, as a senator I have presented several ideas. I even presented a proposal to transform the electoral system into a proportional system with a mixed district vote, like the one used in Germany, adapted to Brazil. This proposal has already been approved by the Senate Justice Committee. My opinion is therefore known.

But I think that in this specific field the legislative branch has the knowledge and capability to undertake the political reform. The government must then play a role of a helper rather than head the reform work.

We will carry out reforms in other fields when it is time. We will suggest reforms to the judicial branch, and will negotiate with them. But right now we think that these initial steps are essential so that the people can see that we are on our way, through our consolidated institutions, to the transformation the country needs.

The constitutional amendment proposals dealing with the economic order take to the limit the so-called easing of the government monopolies. You will receive copies of the amendment proposals. They are not shy amendments, but audacious, as required by present times. These proposals are supported by the people and by the parties that support me, as I discussed each one of them with the presidents of the parties. Today I will meet with all the party leaders, because all the congressmen, not only those from the parties that support the government, but also those from parties that are interested in this subject, have learned of our proposals. This is not a surprise, but we are trying to demonstrate that in order to allow Brazil to continue growing it needs active cooperation from national and foreign private capital. Our proposals are aimed in this direction.

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I consulted the institutions that have rendered immense services to Brazil in the different fields that will be affected by the amendments. To begin with, the oil industry. I spoke with the Petrobras [Brazilian Petroleum Corporation] president and perceived the different thoughts on the subject. We suggest that the government maintain its monopoly on oil, but that it have freedom to allow, through law, private capital to work in those areas in which the government's investment capability is about exhausted.

Petrobras is one of the largest companies in the world, a company to which Brazil owes a lot, a company for whose creation I personally fought, and for which I was prosecuted. I maintain the same high esteem for Petrobras that I had when I was young. But Petrobras knows that it is so strong that it has nothing to fear, and that Brazil now needs additional resources in order to hastily attend to our economic growth.

When I read the newspapers I still observe in horror that government sectors are asking the president to decide on subjects that are not political, such as the installation of a refinery either here or there. This is a distortion.

To believe that it is up to the government to make decisions that are of interest to the people and to the market is a distorted way of thinking. The government is responsible for making decisions that are technically proposed to it. We must get used to depoliticizing these decisions, because when decisions as important as those are given political characteristics, they may end up having a high cost for the country and for the people. If, however, several state governments have legitimate interests, if these states have the required conditions and risk capital, why can't they do it? Let them do it. What I cannot do is commit the Treasury to the project, because the Treasury is the people, it is the sweat of the workers, of the middle class, and of the entrepreneurs. This sort of decision has political characteristics. The decision must be a risk capital and market decision.

Once this amendment is approved, these issues will be dealt with at the appropriate level, as they always should have been. They will be dealt with from the point of view of optimization of resources and results, so that they yield more profit in proportion to the investment made. They will no longer have the distorted aspect of a political will serving the interests, no matter how legitimate, of a certain region, people, group, or political party.

We will also modify what had already been modified by the previous legislature with regard to the concept of what is a national company and what is a foreign company. A Brazilian enterprise is one headquartered here, and which is subject to Brazilian laws. We will continue to make it possible that, by producing here and under equal conditions, these companies will have advantages over those that produce abroad. To produce here, however, they will have problems. The current Constitution copied wrongly the U.S. Buy Act [two preceding words in English], which effectively benefits U.S. producers. Here we do not benefit producers. We either benefit those who are born here, or the simple fact that the company is a so-called national company. This is not the solution. We must ensure the right to jobs, we must create jobs. Therefore it is more than fair to ensure better conditions for those who produce here, under equal conditions, and to grant them advantages over those who produce abroad. This is the spirit of the U.S. Buy Act [buy U.S.-made, buy American]. We will also have to buy Brazilian, buy what is produced here, but not what is produced here by a single group. No matter what group comes to Brazil to produce, it will be welcome, and we hope it will grow roots here and produce here.

In this same spirit we are also modifying the law on telecommunications and on short distance navigation. We stressed that the conditions under which short distance navigation is exercised must be defined by law for a very simple reason: We come from an extremely protectionist tradition that protects everyone and ends up not protecting anyone, and above everything a tradition that harms consumers because it increases the final price of everything.

We cannot force the existing companies to compete if they do not operate under the same conditions as those given to foreign companies. We must therefore modify several measures to allow them to compete. I repeat, it is not a matter of modifying things wildly—an expression many like to use, as if it were synonym for irresponsibility and haste—because he who is in a hurry eats his food raw. We must do things properly.

In the same manner, when amending the points we are talking about, which are but a few—we do not want to reform everything, because whoever attempts to do that will not reform anything—we want to concentrate on the subjects that will really have an effect on the entire Brazilian economy. Although I could have been misinterpreted on this point on another occasion, in this same manner the capability of granting a public service franchise to third parties, and of privatizing, will be carried on faster, as has been said on other occasions.

This requires that the government become well prepared to be able to control and verify the honesty of the franchise and privatization processes so as to defend the people's interests.

I cannot allow a sector of telecommunications to be exploited by private capital by giving the best portion or—excuse me for using this expression—the filet mignon to private capital, leaving only the bones for the government.

We ought to be able to distribute them in a fair, adequate fashion, so that private capital can also be held liable for social undertakings, and so they can also reach the least favored sectors, which will require major investments. As I said recently upon promulgating the Law on the Franchising of Public Services, all this requires that—

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especially in the area of energy—we responsibly study the exploitation of our water resources, and that those responsible for privatizing or granting a concession ensure that private Brazilian or foreign capital is instrumental in effectively bringing about an overall improvement in Brazilian society, and not only for the sectors that have everything, to the detriment of the have-nots.

It is thus absolutely essential for the state to take action to permit the changes we are making here. It is not a question of taking action in lieu of the state, but rather of taking action next to the state. Yet this is a state that is aware that it cannot make investments in the required amounts, and that unlike the private sector, it cannot avoid a process of political patronage and a corporate process that would distort the outcome of its actions.

This is also applicable to the area of mineral exploitation. In recent years, investments in mineral projects have been at a standstill in Brazil. Just to give one figure, we would say that—compared to other Latin American countries—Brazil is today receiving only 10 percent of foreign investments in the mineral area. Ninety percent of foreign investments are being made elsewhere, despite the fact that some of the largest mineral deposits are embedded in Brazilian territory.

We have established restrictions in this area that have benefited only a few companies, which have failed to promote technological development in the area. The time has come to change that. Thus we are also proposing changes in this area. I am not going to discuss the wording of these proposals, because you will have access to them right away. I would just like to refer to the spirit behind these changes.

The time has come to move ahead. The time has come to openly and decisively face those organized interest groups—the lobbies—financed by state-owned companies, which are better organized. These monsters should not scare adults. Some people are afraid of them. I am not. I believe that when one is convinced of something it should go ahead. I am convinced that we are taking the necessary steps to allow Brazil to responsibly resume sustainable growth in its economy.

At the appropriate time we will submit the measures concerning the social security system. I want to reaffirm one thing here: The constitutional amendments in the area of social security will probably not yield a cent to the Cardoso administration. They will elicit greater confidence from the entire world, but they will not yield a cent.

I am also proposing infraconstitutional measures that would be instrumental in increasing our revenues and in allowing—which I will be most pleased to do—an increase in the minimum wage, an increase that would not be a lie or would allow a deputy to deliver a speech in Congress telling the people that the president wants to veto it. I will always veto silly measures.

I will do everything I can to obtain the approval of those infraconstitutional measures, those infraconstitutional laws, that will make the necessary corrections. They are important.

Why are we then proposing constitutional amendments to the social security system? We are doing it because, as statesmen, it is our obligation to care not only for our administration, but also for the nation and for the administrations to come. It may appear to be romantic, but because this has not always been the case, because there was such great pressure—in part because of inflation, because of the disorders provoked by authoritarianism, because each ruler was thinking only in terms of his administration—we have accumulated errors. I must think in terms of the future, not in terms of future rulers, but in terms of Brazil, of the people of Brazil.

We cannot afford, 10 or 20 years from now, to have more people retired than on the work force. If this occurs the social security system will collapse. In this case, no one would be able to retire, because there would be no resources for anyone.

A country that turns early retirement into a culture, into an advantage, is not wise. Brazilians want to retire soon because their pay is low. They want to retire soon because their working conditions are bad. They want to retire soon because they are not motivated. They want to retire soon because they want to get another job to improve their income. These are our problems. Let us openly discuss them.

What is the point of retiring at age 60? Someone asked me in Parana State the other day how a 60-year-old person could give classes. Well, I am 63 years old—although the magazine VEJA keeps saying I am 64. I am 63, and I believe I can still give classes. I could certainly do it when I was 60. It is not true that a 60-year-old person cannot give classes.

Now if a person reaches 60 and can no longer give classes, it is because throughout his life he suffered ill treatment, because he had a hard job for which he was not rewarded, and because he had a meager salary and had to moonlight. Let us therefore correct this, and stop considering early retirement as an ideal, giving the impression that the people do not want to work when what they really want to do is to get another job. Let us correct this. Yet this cannot be done without making major changes. An acquired right is an acquired right.

We have changed our currency. We have curbed inflation without violating rights or breaching contracts. Why should I propose now a breach of our social contract? No. I look sadly at those people who are hastily trying to retire, as though we are approaching the end of the world. They do not have to retire. The world is not coming to an end. All acquired rights will be respected.

I want to reaffirm this, because many people are manipulating the information and are warning that the government is going to take their rights away from the people.

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The government will not take anything away from anyone. Rather, the government wants to give more to this generation as well as to the generations to come. The government does not want to squander social security funds. We have to think about tomorrow. The government wants to create better conditions to process all this in an objective way.

I want to give an example: The federal government's expenses in salaries rose from $16 billion in 1992 to 33 billion reals [R] in 1995. They have more than doubled. Now let us ask federal government servants if their salaries have doubled. No, they have not doubled. They have increased, there has been a real increase. Through the increase granted under the Itamar Franco administration and through the increase we granted in January, the salaries of public servants have increased in real terms. Let no one be deceived about this. Was the starting point low? Yes, it was. Yet the government has made efforts, and will continue to do so to restore salaries in real terms. Yet salaries have not doubled. Do you know why? Because the brunt of the increase in salary expenses has been absorbed by retirement payments.

The federal government pays more than his full salary to a retired employee; that is, an average of 115 percent. This is the only country in the world where an employee earns more after he has retired. This encourages early retirement. If you are going to earn more after retiring, why continue to work? This is illogical. Well, because of this, the burden of salaries is huge. Early retirement increases the cost of personnel, and does not allow a higher salary increase to those working now.

I would like to ask the people what they want: whether they want salaries to decline in proportional terms for those working now, and increase for those who are retired; or whether to maintain a decent retirement, but which should not become a burden of the size we are having now, and thus the number of retirees may not increase more rapidly than the work force. The question is simple: If the people answered that they would rather opt for a kind of slow suicide, the president would regret it, but would yield to the will of the majority. If this were the desire of Congress, if the majority in Congress chose to slowly suffocate the workers, mistakenly thinking that it would improve retirement that way, I want to say that it will not work, because 10 years from now no one would be able to retire because the system would have collapsed. Nothing will change for my government, because these changes will not yield immediate results in light of the acquired rights. Nothing will change in our revenues. The matter entails a question of philosophy and responsibility toward future generations.

I will not hesitate to face any of these problems as openly as I am speaking here. I believe the time has come to do this: Brazil is tired of duplicity. We are thus going to call things by their real names. Then you may choose. The government will do its part. The government will appeal to society, it is going to explain its position, it is going to show that it does not want to take a penny away from anyone, and that it is going to respect rights. It is going to ask, however, what about future rights? What about the rights that are emerging today, will they not be guaranteed? Are we going to act irresponsibly and spend everything today without knowing what it is going to be like tomorrow? This is the question. Has it not time and again been said—and rightly so—that we ought to think about the children? And doesn't thinking about the children entail thinking about their future? And to think about teenagers, isn't that to think about jobs? And is it not necessary to guarantee jobs in terms of a more actively economic growth? This is the spirit of our reforms: to improve, to give more, to guarantee real salaries, to guarantee a decent retirement to all Brazilians, and to end—or to restrict, if this is not possible—privileges.

I need not go any further. I gave only examples in the areas of economic order and social security. At the appropriate time we will discuss the tax reform—in which the spirit will be the same—and the administrative reform. As I hand these proposed amendments to Congress—as I will do this afternoon—I have taken advantage of this meeting with the media to convey a message to the nation. This is a message filled with confidence, with strong hope, and with our belief that we can maintain the real, and that in order to maintain it, we must implement these reforms. We are going to continue to have economic growth, and to do this we must have the reforms. And we will implement these reforms. Thank you very much.

Steps for Approval of Constitutional Amendments Noted

PY2302143295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Feb 95 p A6

[Article by "R.A."]

[FBIS Translated Text] Brasilia—The congressional procedures for the approval of the constitutional amendments presented by the government are in the hands of the PFL [Liberal Front Party]. This government-allied party, together with the PTB [Brazilian Labor Party], makes up the largest bloc in Congress. The appointment of rapporteurs willing to shorten the timetable for the amendments under debate at the special committees and at the Constitution and Justice Committee (CCJ) depends on the PFL. For this reason Deputy Inocencio de Oliveira (Pernambuco), the PFL leader at the Chamber of Deputies, has already agreed with Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [PFL-Bahia State] that no internal Chamber rule will be modified to reduce the deadlines.

The PFL will choose rapporteurs who are willing to ignore the deadlines established by the internal rules (five sessions at the CCJ and up to 30 session in the hands of the special committees). Thus, without losing

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control over the process, they will be able "to show they are working" while granting the government the agility it has been asking for. The PMDB [Brazilian Democratic Movement Party], the second largest bloc, will be entitled to appoint half the rapporteurs. The government will do its best to ensure that deputies considered reliable are chosen.

Refuting proposals by the PSDB [Brazilian Social Democracy Party], Jose Anibal (Sao Paulo), government leader at the Chamber; and Germano Rigotto (PMDB - RS) [PMDB - Rio Grande do Sul] government leader in Congress, Chamber President Luis Eduardo Magalhaes said: "The deadlines established by the internal rules are reasonable, and I do not see why we should change them." The leaders wanted the rules modified so that special sessions held on Saturdays and Sundays could be included in the list of time spent by the amendments at the commissions. Magalhaes said: "I'm neutral, if anyone wants to change the rules he or she must present a project and submit it to a vote."

On the evening of 16 February, during a leaders' meeting with President Fernando Henrique Cardoso, Deputy Inocencio de Oliveira presented the group with another PSDB proposal. PSDB Senate leader Sergio Machado (CE) [Ceara State], suggested to the president that he should send the next proposals to Congress through a PSDB senator. Normally, the proposal is voted at the Chamber first, then at the Senate and, if there is any modification, it goes back to the Chamber and begins being debated all over again. If the proposal is presented by a senator, this process is inverted and ends up at the Chamber of Deputies with or without modifications. Inocencio de Oliveira argued that Machado's proposal would reduce the political density of the amendments. As a result, the PSDB leader did not mention the issue again.

Steps the Amendments Will Follow at Congress

1. The amendment arrives at the Chamber of Deputies and is taken to the Constitution, Justice and Drafting Committee to have its admissibility evaluated within the period of five common sessions. The report on admissibility is then published and sent to the board.

2. After the five common sessions period, the Chamber president appoints a 17-deputies Special Committee to report on the merit of the amendment.

3. Once the Special Committee is installed, the committee president and the rapporteur are chosen. The committee has 40 common sessions to discuss and vote on the amendment. The amendment is presented in the first 10 sessions. The report on merit needs a simple majority (half plus one vote of the attending congressmen) to be approved.

4. After two common sessions, the Chamber president submits the report on merit to an immediate vote or allows the discussion to take as much as four common sessions. The approval is done in two rounds and depends on the favorable vote of three fifths of the house (308 votes).

5. If the amendment is approved in the first round, it is then submitted to a vote in the second round after five common sessions. In the second round, the amendment can be discussed in, at most, two common sessions. The quorum for approval is the same as in item 4.

6. After being approved in the second round, the amendment is submitted to a plenary session, after one common session, for voting on the final text. Once the final text is approved, the amendment is ready for publication and to be sent, later, to the Senate.

7. In the following 48 hours, the Senate president sends the amendment to the Constitution, Justice, and Citizenship Committee [CCJC]. This committee has 30 days to report on the merit of the amendment. The 10 first days are used for the presentation of amendments.

8. Once the CCJC report is approved, the report is ready for publication and after five days the amendment is included in the agenda for the Senate's plenary session meeting. The report will be discussed in five common sessions during which amendments can be presented at the plenary session.

9. If there are amendments, the CCJC will have 30 days to draft a new evaluation of the amendment. Once this deadline expires, regardless approval or not of the evaluation drafted by the CCJC, the amendment is included in the agenda for voting in the first round. Quorum for approval of the amendment is three fifths of the house members, that is, 49 senators.

10. After five common sessions for the inclusion of the amendment on the agenda for voting in the second round, new amendments can be proposed, as long as they do not include modifications to the text that are related to merit.

11. Once the new amendments are approved in the second round of voting, and before the final voting, the amendment will return to the CCJC, which has five days to draft a report evaluating them. After that, they will be included in the agenda for voting. Once approved, a session for its promulgation is summoned.

Editorial Views Cardoso Constitutional Amendment Speech

PY2202143295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Feb 95 p A3

[Editorial: "The Philosophy of the New Model" from the "Notes and Information" page]

[FBIS Translated Text] The dreams of those who imagined the constitutional amendments proposed by President Fernando Henrique Cardoso would definitively open the economy and allow the triumph of the market system as understood by many of the Brazilian elite have

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been destroyed. They were—paraphrasing the president in one recent speech—the dreams of those who approved of the development model adopted by [former President Fernando] Collor de Mello, a neoliberal model identical to that of Mexico. President Cardoso said several times it would not be so. In his speech before a news conference yesterday, and during it, Cardoso clearly stated that his ideas are based on "safeguards to ensure state control of the economy." Thus, from this viewpoint we should not be surprised at what he said.

The amendments, which deserve a detailed analysis, must be viewed within the framework of ideas expressed by the president. Let us just analyze the main guidelines of the new development model that President Fernando Henrique Cardoso intends to implement in Brazil by combining economic progress with the accomplishment of a minimum level of social justice. As we pointed out a few days ago, we are facing a new system: Public companies of those sectors considered to be "strategic" or which are what the president described as "of national interest" will continue to exist. Some of them may even act as a holding of public and private companies that franchise public services.

What must be pointed out in this new model is that its creation is based on two principles: The privatization process will continue (the president mentioned companies and sectors which his predecessor had already listed), while the government "is preparing to become the controller (...) and to defend the interests of society." This "preparation" and the condition of "defender of society" will not be implemented by "handing the filet mignon to the private sector, leaving the government with the bones." Thus, the idea of market economy gained certain aspects that could be confusing at first glance given that there will be privatization and also state control and orientation. It must be pointed out that the privatization will be carried out in such a way that the government can keep part of the filet mignon and "private capital will also have a social responsibility and attend to the needs of the less-favored classes who need strong investment support."

This is one aspect of the new model: equal distribution of the "good" portions between the government and private capital with the government establishing the social responsibilities of private capital. Another aspect is that the president is fully aware that public companies of the Getulio Vargas era are bankrupt and survive by occupying political spaces and by receiving help from the National Treasury in emergencies, both of which President Cardoso refuses to curtail. For example, let us look at the dispute over the installation of an oil refinery in a northeastern state. The president said he read with horror in the press a demand for his political decision on the matter. The president said, well, if there is legitimate interest "and if there is risk capital that wants to build the refinery, why not build it? Let them do so. I do not want to pawn the National Treasury..." Until yesterday everyone thought the refinery would be built by Petrobras [Brazilian Petroleum Corporation], "one of the largest companies in the world," and not by the National Treasury. Now we have learned that the president does not want to use Treasury money to build this refinery, which means that Petrobras will not be able to do so either. Despite this, Petrobras continues to be the company for whose creation the president struggled during his youth and for which he was prosecuted. But to continue to play its role, Petrobras will have to seek additional private capital in order to cope with the national economic growth.

It is curious that as he recalled the struggles over the creation of Petrobras, the president of the Republic should have later condemned the lobbies "financed by the public services" to defend the interests against which the Fernando Henrique Cardoso administration is placing itself. His confession is shocking: Using public money to pay lobbies to combat government decisions! It is more serious if we recall that after saying that he is not afraid of "monsters," the president did not express his intention to investigate how public money can pay for lobbies. The impression is that although he is not scared of "monsters" he is not verifying whether they really exist. In other words, the large public companies, those which were thought to be of "national security" and which nowadays are of "national interest" still continue to have power in Brasilia. The reduction of their power now depends on the action of Congress regarding the constitutional amendment proposals.

Bank Profits Up Under Real Plan; BB Losses

95SM0190A Rio de Janeiro JORNAL DO BRASIL in Portuguese 5 Feb 95 p 2

[Article by Aguinaldo Novo]

[FBIS Translated Text] Sao Paulo—Fortune is still smiling on the banks. The 1994 balance sheets published so far show that the financial sector has managed to adapt to the changes imposed by the *Real* Plan and, in some cases, to profit as never before. Last year, the profitability of a sample of 14 institutions was 14.35 percent, exceeding the average of 12.3 percent recorded in 1993. The biggest profits, in absolute terms, were achieved by the major wholesale banks.

BRADESCO [Brazilian Discount Bank] showed a profit of R445.7 million; Itau, R320.2 million; and Nacional, R140.1 million. So far, no losses. In relative terms, however, the best yields were achieved by the retail banks, which are smaller than the wholesalers. Four of them—BBA Creditanstalt, Cindam, Marka, and Boavista—showed a return on equity in excess of 50 percent. Their gains came mainly from sophisticated foreign exchange operations. "It was an exceptional year," asserted Luiz Chrisostomo, executive director of Cindam. Before the *real* was introduced, the bank had predicted a devaluation of the dollar, and so it profited by 30 percent.

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Harvest of Profits

Figures from 1994 Balance Sheets, in millions of *Reais*

Bank	Profit	Net Worth	Profitability (/%)
BRADESCO	445.7	3,667.6	12.2%
Itau	320.2	2,574.8	12.4%
Nacional	140.1	872.4	16.1%
BBA	125.6	231.7	54.2%
Boavista	124.1	178.5	69.5%
Bamerindus	111.3	1,008.1	12.4%
Mercantil	35.2	647.2	5.4%
Pontual	38.8	114.6	33.8%
BicBanco	27.2	106.2	25.9%
America do Sul	26.2	258.5	10.1%
Banrisul	22.3	311.1	7.2%
Cindam	17.1	30.0	57.0%
Marka	16.0	28.2	56.7%
Banorte	14.5	171.9	8.4%

Source: The banks

Gains

The banks did not perform any magic tricks. What they did was find an effective way to compensate for the loss of revenues on the float. In periods of high inflation rates, the float is a real boon to banks, which earn oceans of money by investing their customers' forgotten checking account balances. With the *real*, that source has dried up and bankers have had to bestir themselves. They hit the mark. The first thing they did was increase their proceeds from fees.

At Nacional, one of Brazil's 10 largest private banks, income from fees jumped by 144.6 percent in one year. In all, the bank took in R223.3 million in 1994, more than half of this in the final six months.

However, the most important factor in explaining last year's results was the stunning growth in the loans portfolio. In some cases—Bamerindus for example—earnings from credits (loans, leasing, and advances)—rose by 116.9 percent. "Banks were prepared for that growth, and it came at a good time," said Belmiro Valverde, CEO of Bamerindus. Some bankers said the only reason the movement was not greater was that in September, the administration started imposing minimum reserve requirements.

Compensation

This is true, in part. But we must note that this action was offset—and amply so—by the government's policy of keeping interest rates high. So the big differences (up to 4 percent depending on the guarantees offered by the client) between the cost of attracting funds and the rates at which they were invested helped earnings from credit operations rise by 56 percent at BRADESCO, 32 percent at Itau, 33 percent at Nacional, and 62 percent at Mercantil de Sao Paulo. So we can see there is really nothing to cry about.

The question now being asked is whether banks have attained an ideal level. The answer seems to be no. We must realize that despite the progress made, the large retail banks were unable to repeat their performances of previous years. In 1994, BRADESCO's net profit grew by 1.3 percent and Itau's by 2.9 percent, nothing like the results obtained two years ago, for example. With regard to its 1992 balance sheet, BRADESCO's profits had jumped by 27 percent in 1993.

Productivity

According to some sources, this problem will tend to be more serious now, in 1995, with the prospects for falling interest rates. "In 1994, the banks went through an adaptation phase. We came out ahead. But 1995 will be more challenging," said Itau President Roberto Setubal. Once again, there are no big secrets about how to cope with this situation. On one side, banks can continue raising their fees. In the long run, however, that strategy could prove suicidal. "Those who overdo it will lose customers," said Nacional Vice President Nuham Szprinc. Another way is to boost productivity.

In recent years, banks have invested an average of $200 million apiece, every year, in automating their services. The number of documents processed gives an indication of the productivity gains this has yielded. In 1991, one teller processed 1,400 documents a day. Today, thanks to bar codes and the use of magnetic cards, that same teller can handle more than 4,000 documents. Then there are the financial gains. Some institutions estimate

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that a transaction completed at an ATM costs up to 80 percent less than one completed inside the bank.

Losses Continue At State Banks

In the official banking sector, only Bank of Brazil (BB) and Banco do Estado do Rio Grande do Sul (Banrisul) have released their balance sheets for 1994. The picture so far is one of tremendous inefficiency. BB had a loss of R85.4 million in the second half of last year and, for the first time this century, will not pay dividends to its numerous stockholders. The loss, according to the official version, was caused by the devaluation of the dollar with respect to the *real*. But it is known that the bank has a long list of inefficient branches.

Delicate Situation

There were no surprises at Banrisul, either. The institution showed that it is in a delicate situation compared with its private counterparts, with losses of earnings and declining profitability.

The only real surprise was the explanation the institution's directors gave for the dreadful results: the restrictive monetary policy and the reduction in funds available from the float. But the private banks faced the same situation and, judging by the balance sheets, managed to survive successfully.

Last year, Banrisul ended the year with net profits of R22.3 million, 35.4 percent lower than the R34.55 million realized in 1993. As a consequence, profitability suffered. In 1994, the return on equity was only 7.2 percent, compared with 11.93 percent in 1993.

According to experts, the official banks have still not adapted to the *real*. Victims of having been used for political purposes, they are still burdened by a heavy and expensive structure—formerly maintained largely by the float.

What people are really waiting for are the results of Banerj [Rio de Janeiro State Bank] and Banespa [Sao Paulo State Bank], both of which have been operating since 30 December under the control of government regulators from the Central Bank. As for Banespa, it is known that its net worth will be positive. Given the chaos at that institution, this is already good news. Banerj, on the other hand, has already failed, technically speaking.

Editorial Views 'Futile' Peruvian-Ecuadoran War

PY2102124195 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Feb 95 p A3

[Editorial: "A Futile War" from the "Notes and Information" page]

[FBIS Translated Text] The cease-fire between Peru and Ecuador is the first wise act by the presidents of these two countries since the beginning of the conflict. A lot of people have died or been mutilated since the four guarantors of the Rio de Janeiro Protocol presented a reasonable formula that was rejected by Presidents Alberto Fujimori and Sixto Duran-Ballen for internal policy reasons. The resulting deaths were futile and unnecessary. The cease-fire was declared as troops of the two countries occupied posts in the Condor Mountain Range area under dispute. Dozens of lives were lost in this futile and irresponsible conflict.

The cease-fire is constructed on a fragile basis. It is still necessary to work hard on a plan to separate the troops in the area and to place observers there. Evidently, this stage of the peace plan will only be carried out once hostilities cease. This must be concluded immediately to prevent new clashes which will only serve some obscure internal political purpose. Above everything, the separation of the troops is a conceptual matter. In this kind of conflict there are no clearly established or fortified lines. Enemies clash through patrols and small units. From a tactical point of view, the separation of troops should not be too difficult. The problem is more political. To separate the troops, each party should merely retreat to a certain imaginary line leaving enough territory to allow observers to work safely and to allow cease-fire violations be observed. The original guarantors' plan foresaw an 8- km demilitarized zone. Observers can be sent at any moment as long as there are guarantees for those who will control the truce. The sooner these observers arrive, the greater the chances of consolidating peace.

Just as the end of the conflict is celebrated, it must also be regretted that the two democratically elected presidents—even though one them took advantage of a constitutional breach—should have chosen war to solve a matter that is not vital or urgent for either country. This war—which could be called a comic opera if it not were for its hundreds of fatal and mutilated casualties—has projected a negative image of South America not unlike the one projected by the recent events in Mexico in the northern part of Latin America. The modernization efforts in the region—which mainly include the building of political confidence and a juridical predictability—have been washed away in a flood of generalizations about Latin America as a unity and which does not really exist. This has been clearly demonstrated by Duran-Ballen and Fujimori.

Chile

Bank Superintendent Views 1994 Results

95SM0185C Santiago LA NACION in Spanish 24 Jan 95 p 22

[FBIS Translated Text] Superintendent of Banks Jose Florencio Guzman reported yesterday that the net earnings of the financial system (banks and finance companies) during 1994 reached 167 billion pesos. These

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results represent an increase (in real terms) of 6 percent compared to the previous year.

Guzman stated that despite the increasingly negative effect of the support payments on the capacity to generate bank profits, the banks have maintained a highly satisfactory and relatively stable level of earnings during the past eight years. He emphasized, however, that moderating the rate of growth of the support payments will be one of the main challenges of the banking industry during the coming years.

The changes that attracted the attention of the Superintendency of Banks were in the composition of the revenues; i.e., in the sources of bank profits.

The role that commissions played in the final results was the most significant factor in these changes. Whereas commissions—which represent net income from foreign trade transactions, commissions for fiduciary and custodial services, letters of credit, credit cards, and lines of credit—accounted for 34 percent of net earnings in 1993, this figure increased to 45 percent in 1994.

The increasing participation of the bank branches in the generation of earnings for their main banks is another sign of the change in the composition of the banking industry's earnings.

In Guzman's opinion, the aforementioned two factors are the result of the changes that the banking business has experienced in recent years. These changes, he explained, are characterized by the smaller proportion of revenue derived from the traditional business of lending money and receiving deposits; the search for new activities that are compatible with banking activities; and/or a deeper penetration of submarkets that are traditionally poorly served, as for example consumer credit, services for small business, and so forth.

Guzman stated that "this entir process is reinforced by the decreasing inflation rate during recent years. The prospects for maintaining this indicator at single-digit levels during the coming years are proof that these changes will continue to be a constant."

Loans by the System

Regarding loans, following a decrease of 1 percent in December resulting from the revaluation of the peso, they experienced a 5.2 percent increase (in real terms) over the corresponding figure as of the end of last year. The superintendent of banks said that although this figure is below the average for recent years (7.2 percent), it is regarded as satisfactory if one takes into consideration the context of macroeconomic adjustment that characterized the economy during the previous fiscal year.

Moreover, despite the decrease in recent years in the number of financial institutions, Jose Florencio Guzman believes there is an adequate—and growing—level of competition. In this context, the percentage shares of the five largest banks is within acceptable margins, according to studies conducted on the subject. Guzman estimated that the optimal indicator for the four or six largest banks should be below 50 percent; at the present time their share is 49 percent.

If one considers those institutions that make the largest volume of loans—the factor that measures their position in the market—three names immediately stand out: the State Bank, the Bank of Chile, and the Bank of Santiago, in that order. The State Bank reported loans totaling 1.680,335,000,000 pesos; the Bank of Chile, loans totaling 1,545,318,000,000 pesos; and the Bank of Santiago, loans totaling 1,155,131,000,000 pesos. The total for loans made by the national banking industry was 8,404,070,000,000 pesos.

Substantially farther back were the O'Higgins Bank and the Osorno Bank, whose loans together approximated the total for the State Bank. Of the resident foreign banks, the Bank of Santander made the most loans by far.

In another area, the national banks demonstrated noteworthy development in terms of the number of branch offices such as branch banks, auxiliary offices, exchange offices, and payment offices.

The superintendent pointed out that this indicates the level of activity attained by the financial system and also the changes in the methods of doing business, inasmuch as some of these changes—especially those associated with personal banking—require more direct and closer contact between a bank and its customers.

Subordinated Debt

Jose Florencio Guzman stated that although the real decreases in the debt are not entirely significant, it is noteworthy that the number of institutions that are involved has decreased considerably. Of the original total of 19 institutions, only eight remain. The superintendent emphasized the effort made by some institutions to prepay their debt, or a part of it, by increasing their capital.

Executive Submits Two Bills on Ethics

95SM0185A Santiago EL MERCURIO in Spanish 14 Jan 95 p C3

[FBIS Translated Text] Next Monday the executive branch will submit to Congress a constitutional reform bill and two bills on administrative ethics and transparency in the public administration, thereby putting into concrete form some of the many proposals presented five months ago by the National Commission on Public Ethics, which studied various policies for combating corruption.

The principal policy that the government formulated and that was announced yesterday by the minister secretary general of the presidency, Genaro Arriagada,

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establishes the obligation of all organs of the administration—i.e., those that are unrelated to either the judicial or legislative branches—to produce all public information upon request by any citizen.

If this proposal—which is known as a freedom of information act—is passed, it will be a first in the countries of Latin America, which have been adversely affected by many cases of corruption. Only two countries in the world—the United States in 1978, which established the policy following the Watergate case, and Canada in 1987—have put a similar law into effect.

Minister Arriagada—in conjunction with Under Secretary Angel Flisfisch and the executive secretary of the National Commission on Public Ethics, Alejandro Ferreiro—explained the scope of these proposals, which postulate as fundamental elements of the state the principles of ethical conduct and transparency. These proposals will be incorporated into the Constitution in conjunction with the constitutional reform.

These bills, it was explained, are intended to ensure conduct by public officials that is morally impeccable—and an honest performance of their public functions—wherever the public interest takes precedence over the private interest.

Eleven Bills Being Processed

In April of last year, President Frei created the National Commission on Public Ethics, which three months later submitted a lengthy report containing 41 proposals for ensuring ethical conduct in the public service. Yesterday—five months later—the government announced the first bill, which incorporates nine of these proposals.

Minister Arriagada explained yesterday that some of the 41 proposals have been incorporated into administrative rather than legislative measures. These include the items in the national budget that entail expenditures of a classified nature.

Arriaga also explained that the executive branch had decided at this time not to take up the proposals that relate to the transparency of political expenditures and the financing of political campaigns and parties because, he said, that would overburden the legislators.

Three bills relating to administrative ethics are currently under consideration by Congress, two of them in the Chamber of Deputies and one in the Senate. They deal primarily with the declaration of assets by public officials and members of Congress and with the constitutional disabilities of the latter.

Moreover, in late December Deputies Alberto Espina and Juan Antonio Coloma introduced a total of eight bills—one of them dealing with constitutional reform—that embody the proposals of the Commission on Ethics. These bills seek to prevent favoritism in the exercise of public office, introduce more transparency into the use of public funds, and prevent the illegal intervention of the state in the activities of private persons.

"We desire neither competition nor antagonisms," Arriagada said. "We want very close cooperation from all political sectors." He explained, however, that some of the initiatives of Espina and Coloma are unacceptable, because they deal with powers that belong exclusively to the president.

Administrative Ethics

One of the conclusions of the Commission on Ethics is that the ethical standards were dispersed throughout various legal texts—a situation that produced disorder and disinformation among public officials.

The bill concerning public ethics also systematizes and develops—in an organic and coherent form—the standards that are applicable to ethics and establishes a catalogue of legal disabilities for the exercise of public office, with the aim of avoiding conflicts of interest.

The bill's provisions include standards that forbid nepotism (the coexistence of family members in the same government agency) and the hiring by a government agency of persons who do business with that agency. They also establish the obligation of all public officials to declare their assets, and they enumerate a number of incompatibilities that exist between public office and private sector activities.

In addition, the bill regulates the transfer of civil servants to the private sector: it establishes a delay of one year in certain cases—with the aim of avoiding conflicts of interest—and a similar delay before such persons are permitted to do business with their former agencies.

The bill also includes a definition of conduct that constitutes a violation of the principal of administrative ethics, including influence peddling, the improper use of classified or privileged information, and the acceptance of gifts of a compromising nature.

It establishes the penalties for violation of these standards, including the applicable aggravating and extenuating circumstances.

Access to Information

The basic bill drafted by the government sets the policy for providing the citizenry with free access to information—an initiative that government officials regard as revolutionary.

This initiative establishes the principle of transparency—or active publicity—which means that government agencies will be obliged to publish annually information regarding their functions, activities, budgets, and methods of serving the public.

The bill defines documentation as any type of information that provides material support, and it also defines information of a personal nature that cannot be released.

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The latter category includes a person's tax declarations, civil status, residence, and personal history. It also defines what type of information is secret and therefore cannot be divulged, in order to protect the interests of the state. These interests include national security, individual rights, and the proper performance of the functions of the organs of the executive branch.

There would accordingly be no public access to information concerning the Armed Forces, intelligence, police procedures, or prosecutorial methods.

Nor can information be released concerning meetings or other information that might misrepresent a decision or endanger the success of a measure, so as not to open the way to speculation, among other things. Only after an administrative action is implemented can the minutes of the meeting in question be disclosed.

Information that cannot be released is classified as either mandatory or optional (i.e., left to the judgment of the officials in charge).

The law also prescribes the procedures for obtaining access to information. It obligates the public agency in question to deliver a reply to such a request within 20 days. If the reply is a refusal, the law provides mechanisms for an appeal to the courts.

The bill establishes the financial penalties (of as much as 5,000 pesos per day) for delaying delivery of the information—together with the fines that are paid to the national treasury and to the citizen in question—that are intended to serve as an incentive for the petitioner to pursue his request to the end.

The bill protects those civil servants who in good faith deliver information that is subsequently misused, so that they will not be inhibited from releasing it.

The bill does not establish time limits so that in later years secret information can be disclosed without negative consequences.

Administrative Standards

When asked concerning the progress that has been made in recent months with respect to the administrative regulations that the government is supposed to issue in order to comply with some of the proposals of the Commission on Ethics, Arriaga explained that some very important regulations have already been issued.

He made a reference to the provisions in the current budget concerning the classified expenditures that implied a substantial reduction in their percentages of the budget. He indicated that certain ministries whose budgets had previously contained items consisting 100 percent of classified expenditures will now find those percentages reduced to 15 percent, as has occurred in the case of the Secretariat General of Government.

He said that a much more transparent procedure for acquisitions in the public sector is being developed and will culminate in an electronic stock exchange.

The minister announced that the executive branch will in the future also take up matters relating to bids and offers as they pertain to the municipal administration—an issue that will in part be incorporated into the proposed municipal reform that will be submitted shortly for legislative action.

Allamand States RN Position on Designated Senators

95SM0185B Santiago EL MERCURIO in Spanish 17 Jan 95 pp C1, C10

[FBIS Translated Text] The president of National Renewal [RN], Deputy Andres Allamand, says that a majority in his organization favor terminating the institution of the designated senators. The action would be taken at the Special General Council that will be convened in 1996 for the purpose of deciding the matter.

According to our correspondent in Concepcion, Patricio Gomez Couchot, Allamand explained that he shares this view with a large sector of the party.

Allamand also insisted that this is probably the majority position on the RN Council, but added that he has never intended to anticipate any decision that this party organ should take. "I have spoken only of a foreseeable circumstance," he explained.

The subject of the elimination of the institutional senators has been raised repeatedly in the legislative debates of the past three years. As a group, however, the opposition has maintained an invariable position of rejecting such an initiative, as it did recently during the debate and vote that took place within the Constitution, Legislation, and Justice Committee of the Chamber of Deputies on the government's proposal to that effect.

Allamand indicated that a motion to eliminate the institution of the designated senators will be introduced at the aforementioned Special General Council next year, together with other motions to either change it or retain it. "If the general council in 1996 approves the motion to eliminate it," he said, "that will be the majority position of the party, which was our position in 1989 when we made an in-depth study of these matters within our Political Committee.

"My impression," he added, "is that if we pass this resolution next year, in 1997 we will merely have to establish the mechanisms for promoting the corresponding constitutional reform."

The RN president—accompanied by the head of the PS [Socialist Party], Deputy Camilo Escalona, and by the PC leader Jose Cademartori—yesterday attended a seminar at the summer school of Concepcion University, where the topic for discussion was "Person, Society, and State on the Eve of the 21st Century."

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Allamand said he hopes that this constitutional change will be the result of an agreement with other political forces that could elevate the tone of the institutional debate instead of continuing to degrade it, as has occurred in recent years in Chile. "As we have indicated," he explained, "this debate has regrettably been transformed into a kind of permanent arena for political and partisan guerrilla warfare, and the important matters have been set aside."

He declared that the main thing is to be able to introduce a number of changes in the existing institutional system with the aim of improving the system rather than breaking it up. "I hope these matters can be viewed in that context," he said. "In any event, the issue of the designated senators will be held over until 1996. I brought it up because we took part in a seminar on the future of Chilean society. It is, moreover, a recurrent topic that at some point has to be clarified," he emphasized.

Allamand also emphasized that the most important thing now is to establish the priorities for the agenda of issues that are pending in the nation. He stressed that it is of fundamental importance to initiate a profound educational reform at once, without further discussion. From that point of view, he said, the basic agreement recently concluded is very important.

Legislative Discussion

Elimination of the institution of the designated senators is a subject that has been under legislative discussion almost continuously during the past three years, inasmuch as it was recommended in a provision sponsored by the administration of former President Patricio Aylwin as part of a constitutional reform bill, most of which was rejected by the Chamber of Deputies because the opposition's repudiation of the proposed legislation resulted in the the lack of a quorum.

The present government also included the proposal in a constitutional reform bill. Faced with the bill's imminent rejection because of the lack of a quorum, however, the government decided to excise the proposal and submit a new bill, which included only one amendment that would eliminate the designated senators but included other amendments that would speed up the legislative process.

The government's constitutional reform bill is stalled in the Chamber of Deputies Constitution, Legislation, and Justice Committee, where the proposed legislation was approved although only the Coalition [of Parties for Democracy] deputies voted for it.

Specifically, during the debate—which is in an advanced stage—elimination of the institutional senators was approved only by the pro-government deputies (seven votes to six). The government's proposal was the subject of a lengthy debate during which the National Renewal deputies—and Alberto Espina in particular—stated categorically that they will not debate the matter until 1996.

Debate on the constitutional reform bill was delayed, because the administration had attached the label of extreme urgency to the bill that changes the penalties for sexual offenses, which is now being considered by the Constitution Committee. That committee is expected to resume consideration of the constitutional reform bill next March, unless another high priority bill materializes. It is believed that in late March or April the bill could be sent to the floor for legislative debate and a vote.

If the three-fifths requirement to establish a quorum for all bills submitted by the government is not changed, the government's constitutional reform bill will probably be rejected in its entirety, because the opposition as a group has announced that it will vote against the entire bill if the government and Coalition persist in retaining the proposal that eliminates the institutional senators.

Colombia

Narcoguerrillas Shoot at Counternarcotics Helicopter

PA2302043095 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 23 Feb 95

[Report by Jose Domingo Espinosa; recorded passages in quotation marks; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] A serious incident may occur in Colombia at any given moment because of the transportation of personalities to the most conflict-ridden areas of the country, namely the narcocrops, which are also guerrilla-controlled areas. Today, a counternarcotics police helicopter was fired at and came close to being shot down, exactly at the same place visited just two days ago by UK Deputy Foreign Minister David Davis accompanied by the National Police director.

This helicopter, with registration number UH1H-PNC150, was attacked by a FARC [Revolutionary Armed Forces of Colombia] front this morning when it supported the spraying efforts by this [words indistinct] and this Bell (2-2) helicopter. An artilleryman barely escaped death, after a bullet fired from the mountain pierced his helmet.

[Unidentified speaker] "This is one of the shots that went in through this side of the helicopter. It continued to go in and went through the pilot's seat, which is this one here, went through the first aid kit, located in this part of the helicopter and went through the helmet of one of the crewmembers."

These incidents took place in this area known as Valle de San Miguel, between Planadas Tolima and the western part of Huila, where two days ago, UK Deputy Foreign Minister David Davis supervised the antidrug struggle.

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[Unidentified speaker] "The helicopter PNC150 received six shots apparently from narcoguerrillas operating in this area."

This is the section, where the pedal control of helicopters is found, where the UH-139 which was downed last week in Puerto Asis, was hit.

[Unidentified speaker] "The bullet went in through this side. It hit one of the tail rotor blades, which luckily did not cause major damage."

Guerrillas With Pending Cases Not Allowed To Negotiate

PA1702043595 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 16 Feb 95

[From the "National Newscast"]

[FBIS Translated Text] After saying that no guerrilla with cases pending with the justice system will be able to sit down to negotiate, Prosecutor General Alfonso Valdivieso became an obstacle on the road to peace.

Peace Commissioner Carlos Holmes Trujillo and the prosecutor general met today to try to reach an agreement.

Carlos Holmes met with Prosecutor General Alfonso Valdivieso this morning to review the legal situation of the guerrillas who could sit down at the negotiations table. Even though no official statement was made at the end of the meeting, it was learned that the Prosecutor General's Office will issue a communique saying there is no intention to obstruct the peace process. It made it clear that no guerrillas facing arrest warrants for kidnapping or drug trafficking charges will be able to sit down at the negotiations table. The Prosecutor General's Office will insist that the public order law allow negotiations with people accused of crimes regarded as political such as rebellion, conspiracy, or rioting.

It is not yet clearly known at this time which guerrillas from the FARC [Revolutionary Armed Forces of Colombia] or ELN [National Liberation Army] leaderships are facing arrest warrants for kidnapping or drug trafficking. It was established that the regional Prosecutor's Office in Santa Fe de Bogota has issued arrest warrants against Tiro Fijo, Alfonso Cano, and Pablo Catatumbo for the crime of terrorism.

The Prosecutor General's Office is trying to establish the responsibility with the justice system of the subversives allowed to form part of the negotiating team with the government.

Attorney General on Rebels' Participation in Process

PA1802194095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 17 Feb 95

[Interview with Attorney General Orlando Vasquez Velasquez by unidentified reporter; place and date not given; from "Caracol's 0600 to 0900" newscast—recorded]

[FBIS Translated Text] [Reporter] What mechanism will the Attorney General's Office and the government use to ensure that guerrillas who have pending arrest warrants are able to eventually participate as mediators or negotiators in the peace process with the executive? We ask this question to Attorney General Orlando Vasquez Velasquez. Good morning.

[Vasquez] Good day to you and the distinguished radio listeners. The peace process has unique procedures due to the objectives we want to obtain from it. We want to restore the social coexistence we have lost and especially to blaze paths for those who are participating in the guerrilla groups so they can reenter our pacifist society. Thus, I personally believe the government has to present the conditions and eliminate the obstacles to this process so we can achieve our objectives.

[Reporter] What can be done, however, when the prosecutor general has said no person who has a pending arrest warrant can participate or receive authorization to participate at a negotiation table?

[Vasquez] I believe it is a matter of interpreting the prosecutor general's statements regarding the so-called Public Order Law No. 104. We have to study or restudy the situation so we can resolve such snags in the best possible manner and, finally, get to those talks that will lead us to the conclusion we anticipate or want.

[Reporter] So, in your opinion, the prosecutor did not explain himself well, was misinterpreted, or was too hasty in his statements, which were later corrected with yesterday's communique?

[Vasquez] Let us wait for greater clarification today or in the next few days. The preliminary stages the national government and Dr. Ernesto [name indistinct] have been carrying out are serious stages, which, of course, must have all Colombians filled with great expectations. I believe clarification of the position given yesterday, possibly today, will evince the most ample convictions which motivate us all.

[Reporter] Mr. Attorney General, who can manage the difference in interpretations that is occurring between the Prosecutor General's Office and the government?

[Vasquez] I interpret the prosecutor general's comment that he will not hinder the peace process to mean we will all adhere to the orientation and decision of the National Government regarding this great national, patriotic goal in the end.

'Unofficial' Government-Rebel Dialogue Agenda Outlined

PA1902151495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1800 GMT 18 Feb 95

[Report by Ivan Dario Parra; from the "Cripton Newscast"]

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[FBIS Translated Text] The "Cripton Newscast" has obtained valuable unofficial documents upon which the agenda for dialogue between the government and the guerrillas could have been drafted. Ivan Dario Parra has the details.

[Parra] The government and guerrillas agree it is necessary to establish direct, high-level contact in Colombia for the first time.

There is no report on where this meeting could be held, but talk is that it could be in La Uribe. However, the Catatumbo Jungle, Caqueta Department, and Uraba have not been ruled out at sites for the meeting.

The meeting would not constitute a cease-fire but an opportunity to discuss what would eventually be a dialogue agenda.

"Cripton" has an unofficial draft of that agenda:

The guerrillas will demand effective actions to fight paramilitarism and private justice groups. The Simon Bolivar Guerrilla Coordinating Board will insist on this point.

During the first phase of the talks, the two sides will look for a formula to declare a cease-fire.

According to the guerrillas, administrative corruption, a matter of great interest to the Ernesto Samper administration, cannot be left off the agenda.

The rebels will insist on the national sovereignty issue. They want to discuss the management of natural resources, international treaties, foreign trade, social policies, and economic openings. This will be the thorniest issue for the government.

As a result of this process, the guerrillas will demand seats in municipal councils, department assemblies, and the National Congress.

The agenda also calls for the creation of an international office to oversee the peace process.

So far, the Revolutionary Armed Forces of Colombia has shown the greatest interest in making an initial contact with the government, but the possibility of participation by the Army of National Liberation and dissidents of the Popular Liberation Army has not been rejected.

ANIF Predicts Growth in Credit Demand

95CA0133A Santa Fe de Bogota EL ESPECTADOR in Spanish 9 Feb 95 p B1

[First paragraph is EL ESPECTADOR introduction]

[FBIS Translated Text] The credit boom and high interest rates will be repeated in 1995. Fedesarrollo [Federation for Higher Education and Development] questions the Social Leap, maintaining that it is impossible to carry out. It predicts an inflation rate of 19.5 percent.

The decline in interest rates in Colombia during the first four weeks of 1995 was temporary.

Interest rates for both borrowing and saving have begun to climb again, and a greater shortage of savings is expected by midyear.

The crisis in Mexico that has caused uncertainty in international capital markets will generate increased domestic demand for financing, as businessmen will have little access to loans abroad.

In the opinion of ANIF [National Association of Financial Institutions], credit demand will be similar to its 1994 level.

The reason is that the economy is growing well, with an expected increase in the GDP [gross domestic product] between five and six percent, and an eight percent projected increase in domestic demand.

In addition, the government is going to make massive use of the market as a funding source. Although it is assumed that it will try to channel surpluses from other sectors, the size of these surpluses is uncertain.

Another of ANIF's explanations for the credit demand surge is that municipal governments intend to use the financial system to try to resolve their financial difficulties, thereby mortgaging the next three generations of municipal officials.

"I do not see interest rates declining, and I would bet four to one that they will go up again in the next few months," said ANIF's president, Javier Fernandez Riva.

The financial market is now facing liquidity problems and the interbank rate is at levels of 55 percent. If this situation grows more acute, as happened in 1994, interest rates will rise again.

Little Faith

In the meantime, Fedesarrollo yesterday expressed doubt that the goals of the Samper administration's Development Plan will be met, and observed that the best thing about the Social Leap Forward is that it is not going to be able to spend everything that was announced.

Fedesarrollo's director, Eduardo Lora, noted that inflation this year will be 19.5 percent, and the devaluation rate will be about 14 percent.

Fedesarrollo estimates that exports will total $10.4 billion, which is $1.9 billion above exports in 1994.

Imports will rise from $10.9 billion in 1994 to $12.9 billion in 1995.

EU Trade Benefits Extended for Counternarcotics Struggle

PA1702043495 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 15 Feb 95

[From the "Seven O'Clock Newscast"]

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[FBIS Translated Text] While the United States insists on ignoring Colombia's struggle against drug trafficking, countries from the EU support us. The French prime minister has announced that the preferential trade system for our country will be extended between 1995 and 1998.

In a message sent by French Prime Minister Edouard Balladur to President Samper, he recognized the efforts of Colombia and reported that the EU extended economic assistance aimed at granting trade preferences to Colombia, Bolivia, Peru, and Ecuador, for their struggle against drug trafficking.

The message by the French prime minister, who is today the strongest candidate for the presidency of that country, states: The EU has decided to extend the special provision called Trade Preference, given your efforts in the struggle against drug trafficking.

As part of this program, Colombian tuna, which is currently facing restrictions in the United States, would be included in the European Trade Preferential Plan.

UK Envoy Confirms Counternarcotics Aid

PA1702165795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 17 Feb 95

[From the "Seven O'Clock Newscast]

[FBIS Translated Text] While the United States is questioning Colombia's counternarcotics policy, the UK has confirmed its aid to our country and has announced that it will increase its contributions to combat drug trafficking.

Ambassador to the UK Noemi Sanin's efforts to get that country to confirm the drug trafficking cooperation agreement came to fruition today. The UK has promised to grant more than $60 million to our country to provide police and judges with the instruments needed to punish drug traffickers.

[Begin Sanin recording] It is an important contribution, symbolically speaking, because it shows confidence in our country, government, institutions, authorities, and society. This struggle benefits the entire international community because drug use, businesses, and corruption are everywhere. [end recording]

Contrary to what is happening in the United States, the UK has full confidence in Colombia's struggle against drug trafficking.

[Begin Sanin recording] They continue to cooperate. They continue to believe in us because, in the end, Colombia is not working for itself but for the entire international community. [end recording]

The conditions are so favorable that they even talked about increasing UK investments in Colombia and intensifying their aid in the logistical sphere to track cartel heads.

UK Deputy Minister Witnesses Destruction of Poppy

PA2102194695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 21 Feb 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Colombia continues casting far and wide for a certification of good conduct from the United States in recognition of the country's fight against drug trafficking. This effort includes public relations. Today the director of the National Police took Britain's visiting deputy foreign minister to a huge area planted with poppy, which is infested not only by drug traffickers but also by guerrillas. Every manner of briefing was provided to the British official. The field, a poppy sanctuary, is located on the slopes of Los Nevados Park between Planadas and Iquira on the border between Huila and Tolima Departments. Here is where most of the country's 15,000 hectares of poppy are planted.

This place was visited by British Deputy Foreign Minister David Davis, who wanted to see for himself how the aid that his country might offer to Colombia to fight drugs would be used. He commented on recent reports that the U.S. Government is hesitating in certifying that Colombia is indeed fighting drug trafficking in earnest.

[Begin Davis recording in English, with superimposed translation into Spanish] It is not up to me to express an opinion on what the United States does. We are here to show that we support the Colombian efforts. I expect that our decision will influence other countries. [end recording]

Davis was actually sprayed with glyphosate by the police helicopters which destroyed the poppy field at which he was looking.

[Begin recording] [Unidentified reporter] Would you say that while the United States throws us up against the wall in drug trafficking matters, the United Kingdom is lending us a hand?

[National Police Director General Rosso Jose Serrano] No. I do not think there is a competition here. They come here from time to time. When they see how difficult it is for the police and the pilots to fight drugs, they get a favorable impression. [end recording]

This is how Colombia is making new allies in its fight against drug trafficking.

Ecuador

Foreign Observers Report Cease-Fire Violation

PA2202234695 Madrid EFE in Spanish 2303 GMT 22 Feb 95

[FBIS Translated Text] Patuca (Ecuador), 22 Feb (EFE)—Brazilian General Ariel Pereira da Fonseca, the chief of the

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"advance mission" of international observers, said today, that the situation at the Ecuadoran-Peruvian border in the Amazons "has become complicated, because there is a clear violation of the cease-fire agreement."

The 17 military observers and the eight diplomats from Argentina, Brazil, Chile, and the United States, who are in Ecuador, heard machine-gun fire during the 28 minutes they remained at the Ecuadoran Coangos Base. They also saw the arrival of several Ecuadoran soldiers who had been injured in the past hours.

According to the cease-fire agreement signed by Ecuador and Peru, as well as by the four guarantor countries of the Rio de Janeiro Protocol on Friday, 17 February in Brasilia, the Ecuadoran troops have to revert to Coangos and the Peruvians to Watch Post No 1 (PV1).

Defense Minister Reports Peruvian Attacks

PA2202233695 Quito Voz de los Andes in Spanish 0056 GMT 23 Feb 95

[News conference by Defense Minister Jose Gallardo Roman at the National Defense Ministry headquarters in Quito with domestic and foreign reporters; broadcast in progress—live]

[FBIS Translated Text] [Gallardo] Messrs. Journalists, good afternoon. We have convened this news conference because important, significant developments have emerged at the source of the Cenepa River. I want to tell you that on Monday, 13 February, the Peruvian forces were being successfully defeated by our forces. They did not have supplies; they were discorganized and retreating. That very day, President Fujimori declared a unilateral cease-fire, evidently with the intention of taking advantage of that cease-fire at a time his forces were facing a very difficult situation. That day, a cease-fire was being negotiated, and the guarantor countries in Brasilia had presented a cease-fire proposal. This proposal included oversight by international observers.

Peru, practically disavowing this process, arbitrarily declared a unilateral cease-fire. Ecuador, a peace-loving country, a country that loves the law and respects human life, also declared a cease-fire in view of the situation. This was done in spite of the fact that we were aware that it involved giving Peru a great advantage.

Since that day, Peru began to resupply its forces, regrouping its forces, moving into advantageous positions, and a large number of military personnel, equipment, and other supplies began moving to the headwaters of the Cenepa River.

Ecuadoran forces patrolling the sector have clashed frequently with Peruvian forces.

As you know, the observers' advance party arrived yesterday. This morning, our Foreign Ministry asked that these observers go to Tihuinza and the other bases and check whether it was occupied by the Ecuadoran Armed Forces. The observers, however, only got as far as Coangos, where they heard machine-gun and mortar fire. They then returned to Patuca, where they listened to an intercepted message from General Lopez Trigoso ordering a general attack against the Ecuadoran positions, particularly Tihuinza. This attack is going on at present. Peruvian troops are using gas and flamethrowers against our forces. Everyone knows what they want to do with this attack. They want to take Tihuinza because the observers will go to Peru tomorrow and the Peruvians want to be able to say: We are in Tihuinza even though the high command and the Peruvian president have already said some four or five times that they have taken Tihuinza. Peruvian newspapers today include statements made by high-level Peruvian military officers saying that they have been unable to take Tihuinza. I hereby report to the Ecuadoran people and the people of America that this is an open and barefaced violation of the cease-fire after Peru unilaterally stopped firing to take advantage of the situation. I want to tell them that they will not find the road to Tihuinza open. Instead, they will be met with resistance. Our forces are stronger, because they feel they are on the side of justice, that they are defending the national territory, and that they must stop abuses and injustices to which the Armed Forces and the Ecuadoran people are going to say: Enough! Let Peruvians not believe that they will attain an easy victory. They must know that Peru is the aggressor. The defense minister has used few words so far. We are part of a gigantic force and the Ecuadoran people can be sure that we are going to resist and we are going to prevail. I want to tell you that our forces, despite their material disadvantages are highly skilled and especially a high morale. They are going to cover themselves with glory, even with the sacrifice of their precious lives. They are going to cover the fatherland with glory.

I want to make a recount of the damage we have inflicted on the aggressor. We have shot down five helicopters, which Peru is disclosing little by little, even though they may continue saying they have crashed in Peruvian mountains in resupply missions. We want to tell you that we have shot down three of their planes. We want to tell you that a week ago, President Fujimori recognized that 38 Peruvians were killed and 70 were wounded. On that same day the defense minister said 79 were missing. As of that date, 11 of our men had been killed, now we have 13. We had 38 wounded, now we have 53. I am not including the results of today's clashes. These results will be made known tonight. We are going to report it to you tomorrow. There are very noticeable differences. For the past eight days, the Peruvian high-level command has not reported its casualties. It will have to do it sooner or later.

We, in turn, have been recognizing the painful results of these clashes. We do not have an aggressive spirit, but we value the dignity of a people. We are going to defend that dignity. We have not given out more information to the media precisely because we wanted to promote the

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arrival of the observers and because we wanted peace to be consolidated. Since there is an aggressive attack taking place by the Peruvians at this time, since the Peruvians are trying to take over our bases, to which we are firmly repelling, I am now asking the media to reach the soul of the Ecuadoran people, which is united and full of faith to face this conflict, which we have not sought.

I repeat, the day the Peruvian forces return to their barracks and stop attacking us, there will be peace. Otherwise, we are going to firmly defend ourselves. That is the information I wanted to give the Ecuadoran people and the world. I want to ask you to pray for the lives of our soldiers. We should all pray for peace to return. Along with Monsignor Gonzalez Suarez, we will reach the bottom of our conscience. War is a terrible tragedy, but when war is waged to save a people's honor is a war that changes its traits. It is a war waged by noble peoples. As David, we are covering ourselves with strength and valor to defeat Goliath. That is the message I have for the Ecuadoran people.

[Reporter] [words indistinct]

[Gallardo] That is what the Foreign Ministry is doing. It is informing the guarantor countries and the American countries about this attack by the Peruvian forces, who are breaking the cease-fire because it is to their advantage at this given time.

[Reporter] [words indistinct]

[Gallardo] All we can do is to report it. The observers are the ones who will decide what to do. We are going to defend ourselves with all our strength.

[Reporter] [words indistinct]

[Gallardo] Sir, no one can guess the results of a clash, but we are going to defend ourselves to the final consequences.

[Reporter] Could you say the Peruvian Army has been [words indistinct]

[Gallardo] As far as we know it was their decision. Look, we have not given up any position. The Peruvians have taken advantage of the cease-fire to seek advantageous positions for them, but naturally we have repelled them, but we remain in our positions.

[Unidentified reporter] [words indistinct]

[Gallardo] We took over Base Norte more than 10 days ago. It is in our territory. I have a map here. Here is our position in Base Sur. It is intact. Here is Cueva de los Tayos. It is intact. It is 800 meters north of the cave. The cave is not a vital position, it is just a hole. We have another position here. We took over this position by evicting the Peruvians.

Here we have Base Norte, from where they were also dislodged, and here is Tihuinza. Peruvian patrols—and here you must think of 300 km of [word indistinct]—Peruvian patrols had infiltrated, and taking advantage of this deceitful cease-fire week, they have regrouped in this and that sector. From that sector, they are attacking Tihuinza. We are absolutely confident that Tihuinza will not fall, despite the flamethrowers and despite the gases.

Here we have other Peruvian positions from where our fronts are being attacked. What has happened? Since we have respected the cease-fire, we have not been able to defend that sector for a week, and they have taken advantage of the situation to move forward. Naturally, the situation has changed. We will use all our resources to overcome this adversary that declares a cease-fire to take advantage of it, and not with the noble intention of attaining peace. Thank you, gentlemen.

[Unidentified reporter] Mr. Minister, you have mentioned that the Peruvian forces are using toxic gases. What type of gases and how do they affect the population?

[Gallardo] We have not had time yet—if indeed this is happening—to conduct and investigation to determine what kind of toxic gases are being used. If they are using gases, they must be toxic gases, with the intention of forcing our personnel to leave their positions, because those gases are causing asphyxiation and burns.

[Reporter] How did you manage to [word indistinct] the Ecuadoran forces?

[Gallardo] Look, our troops are well-trained and are capable of handling these situations. They will be given—if they do not have them already—gas masks to counter that problem.

[Reporter] Are there enough masks?

[Gallardo] Yes sir, we have enough gas masks.

[Reporter] What was the observers' reaction after hearing an order issued by a Peruvian soldier [words indistinct] of initiating an attack? Was this not enough evidence for them to immediately know who is the attacker and who is being attacked?

[Gallardo] What we know is that they called their respective countries from Patuca, as they carry communications equipment for that.

[Reporter] [Words indistinct]

[Gallardo] I do not know, sir. You know that we cannot try to find out what they are saying out of respect for them. All we know is that they made calls from there. Thank you very much, gentlemen.

Leoro Denounces Cease-Fire Violation

PA2302015295 Quito Radio Quito in Spanish 2344 GMT 22 Feb 95

[News conference by Foreign Minister Galo Alberto Leoro Franco with unidentified reporters at the Foreign Ministry's press room in Quito—live]

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[FBIS Translated Text] [Leoro] After a very long negotiation process that took us from Rio de Janeiro to Brasilia and after we had encountered a number of problems and obstacles, the Itamaraty peace declaration was finally signed establishing a cease-fire and a mechanism guaranteeing its implementation in such a way as to truly deserve the name of cease-fire. As a result of the serious Peruvian attacks and aggression, we have not appeared in public for more than three weeks. This cease-fire agreement could have provided a basis and guarantee for the fulfillment of Peru's unilateral statement saying that there would be a cease-fire starting on 14 or 15 February. What would have happened to such a cease-fire if it had not been guaranteed by the agreement? Nevertheless, and despite the agreement, the situation remains the same and has even worsened after the cease-fire agreement was signed.

Peru has launched several attacks in the Upper Cenepa River valley, particularly against the Tihuinza garrison. The attack has been so vicious that the number of casualties is high. The continuous attack constitutes not only a violation but a complete disregard of the cease-fire.

Through the Foreign Ministry, the Ecuadoran Government has reported this situation to the guarantor countries. This morning, I invited observers from those countries to come to Ecuador [words indistinct] The Ecuadoran ambassador to Brasilia went to Itamaraty and reported yesterday's events, which implicitly intended to keep the observers from getting, not only to Tihuinza, but to the zone of conflict as well. The observers traveled as far as Coangos, where they heard the shooting of the attack that was taking place, not only against Tihuinza, but also against Base Sur and Cueva de Tayos. Of course, they were unable to reach the latter garrisons. After they left, however, Peruvian troops launched a large-scale attack of unprecedented proportions, in particular against the Tihuinza garrison.

Behind this situation, which implies a total and clear violation of the cease-fire, there are not only military but political problems with which they want to cover all this.

To get to Tihuinza seems to be the objective. Neither a cease-fire, nor pledges of a different nature, nor the guarantee provided by the agreement, which was also signed by the guarantor countries, are enough to stop this action. After this large-scale attack, I told the guarantor countries this afternoon that not only [words indistinct] but that, even worse, Peru had launched a particularly large-scale attack. Under these circumstances, like the defense minister has already said, we will have to defend ourselves. We are defending ourselves, and if the situation worsens, [words indistinct], we will adopt appropriate military measures so as to never give up that Ecuadoran post, those posts in that area.

I must mention that to guarantee that the visit of the countries, of the observers of the guarantor countries, to the conflict zone could be made with the necessary security, yesterday the Ecuadoran Embassy in Lima, following instructions from the Foreign Ministry, delivered a note to the Peruvian Foreign Ministry stating that there would be two helicopters duly identified with large circles. One circle would be painted on the bottom of the helicopter and two others on each side of the aircraft. In that manner, the helicopters could be identified, and no one could claim that there was an accident due to lack of information.

That note was returned to our embassy, because according to them, Ecuador should not adopt those measures, and instead they should be taken by the guarantor countries. It seems incredible, but it is true. It seems that there is no interest whatsoever in honoring the commitment to guarantee the work of the observers from the guarantor countries.

This is obviously the attitude that Peru is showing. Incredible, as I said, but absolutely true. This afternoon, I called the foreign ministers of the guarantor countries to inform them of the new situation, and naturally, they are extremely worried. The Brazilian foreign minister has told me that tonight at 1900 hours, Brazilian time, he has summoned the ambassadors who are in Brasilia to discuss this very serious situation and adopt pertinent measures. I understand that they must be meeting at this time with that purpose.

I believe it is time...[pauses] although now more than ever we must continue our efforts to reach a peace agreement. Under the current circumstances, however, this was not possible. We hope that the guarantor countries will make Peru reconsider its attitude and act within the terms of the agreement. Obviously, the objective of this agreement was not only declaring a cease-fire and taking additional steps to guarantee that cease-fire, but also continuing the efforts to seek a peaceful solution to the problem we have had with Peru for so many years and which has disrupted peace and life in our country so many times.

I also want you to know that this afternoon, Ambassador Fernandez de Cordoba, secretary general of the Foreign Ministry, summoned the Peruvian charge d'affaires in Quito and delivered a strong protest for all these actions that not only violate the cease-fire, but seriously endanger peace. Not only peace, but the normal relations we have always believed should be channeled toward an understanding and toward strengthening aspects that until now have not been able to function in the bilateral field. Perhaps this process...[pauses] we had hoped it would be conducted under normal and adequate terms. It could have led to other talks and activities, such as the establishment of mixed neighboring commissions to carry out certain programs of socio-economic interest for the border towns. All that will have to wait as first we must see if there is a climate of reasoning and compliance with peaceful measures and a change in that violent and aggressive attitude.

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We cannot but denounce this situation to the continental consciousness, all OAS countries, and the world consciousness represented at the very United Nations, which are ultimately the entities called upon to preserve peace, seek peaceful solutions, and oversee the implementation of accords in a responsible manner. I once more report the violation of this accord, not believing that this could occur in a bilateral relationship and after reaching an agreement like the one we signed a few days ago.

This is what I wanted to say. The defense minister, for his part, has said what should be said from the military. I have just done the same from the diplomatic perspective. I have urgently presented this case to the representatives of guarantor countries. I also ask you to publicize this situation, because this must be known not only in Ecuador but also throughout the continent.

[Reporter] Mr. Foreign Minister, what has been the opinion of the foreign ministers from guarantor countries in light of this report?

[Leoro] They told me they had information...[pauses] they were in touch with their ambassadors here, who had already informed them of the real situation, as viewed from Ecuador's perspective. To deal with this problem, the Brazilian foreign minister had summoned a meeting at 1900 hours Brasilia time. This is a positive and immediate reaction in the face of this situation.

[Reporter] Will Ecuador resort to the OAS [words indistinct]?

[Leoro] We will consider that possibility as the problem unfolds tomorrow or the day after tomorrow. We have the option to go there. The thing is that we must also expect a response from guarantor countries, following these reports and requests we have made.

We believe there are grounds for the guarantor countries to demand responsibility from Peru for these actions, which affect not only peace but also relations in America and Ecuador.

[Reporter] Mr. Foreign Minister, [words indistinct] advance mission from guarantor countries [words indistinct] visit Tihuinza [words indistinct]?

[Leoro] We were aware of the type of function to be carried out by this advance commission, in the sense that they came to observe the reality of the conflict or, better said, the area of conflict. They came to determine what kinds of needs and work the commission should undertake to tackle the problem.

What was not clear or, rather, what was clear is that the commission came immediately afterward to fulfill the duties established in the Itamaraty Agreement. They also came to fulfill a program containing the duties to be carried out by the observers as well as the duties Ecuador and Peru must fulfill to assist the commission.

When they announced they would be sent on 7 or 8 March, I told the foreign ministers that it was not possible. I told them that the commission should be here tonight, if possible, because of the urgency of the commission's presence. We hope the situation can be overcome, and in some way we hope an effective cease-fire is achieved.

[Reporter] [Words indistinct]

[Leoro] [Words indistinct] tonight. They are absolutely aware that the time period between today and 7 March is extremely long. I told them that if we took into consideration the events that are currently taking place, the time period between today and 7 March is an eternity. The security damage done to the country would be immense. It does not mean, however, that our positions in Tihuinza are not doing their mission.

[Reporter] [Words indistinct]

[Leoro] That is my version of the problem. Obviously this is what the guarantors must now take into account. If everything had developed normally [words indistinct]. We would have wanted the cease-fire to have been verified at least. That was our hope, our real expectation.

[Reporter] [Words indistinct]

[Leoro] After the agreement and [words indistinct]

[Reporter] [Words indistinct]

[Leoro] We have denounced this situation in all the American countries through our diplomatic missions. We have asked for their cooperation. We would obviously have to go to the OAS, which would take time. Not everything is automatically done at the international organizations within the time period we would like.

[Reporter] When should we expect an answer from the guarantors that are [words indistinct]

[Leoro] I understand that we are going to be able to know something after their meeting tomorrow. I asked our embassy in Brasilia to get the information and provide it to us as soon as possible.

[Reporter] Bearing in mind that there is a cease-fire [two-second break in reception] later on say that the fighting has resumed?

[Leoro] There are legal aspects you have to take into account in your question. There are substantial political aspects in this. The guarantee cannot depend on this or that detail. They have assumed the responsibility for a cease-fire and for a demilitarized zone. If at some point they realize the proper procedures have not been taken, they will have the great responsibility in carrying out the duty with us. If it is going to depend on a detail of this nature, then the guarantee would not have any real value. That is what I believe.

[Reporter] Do you believe the observer mission fulfilled its objectives or not?

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[Leoro] We have not yet talked about the observer mission that is about to arrive. This was a technical-military mission, the purpose of which was to explore and verify what has happened in the area of conflict and determine the needs to be met by the observer mission, such as the logistical aspects. They are going to study the aspects of transportation and the number of persons that could be received at the border. All of these aspects will be studied. It is just aimed at determining how to carry out the mission better considering the circumstances at the border.

[Reporter] [Words indistinct]

[Leoro] Look, what I can tell you is that the terms under which this task has been carried out—and given that we believe it was partially carried out—it would have been a good thing if the mission had been able to go to Tihuinza. Obviously, the obstacles created by Peru with these attacks made it physically impossible to do this, even if they had been willing to go there. Last question.

[Reporter] Mr. Foreign Minister, has a new diplomatic attack been carried out with the promptness with which the previous one was carried out, when the missions moved at the international level, given that this yielded positive results for Ecuador? What new actions have been carried out in this concern?

[Leoro] Look, we are carrying them out. What I just told you involves diplomatic functions, it involves diplomatic activities. They strive to specify existing problems, report the actions carried out by Peru and urge the guarantors to find a solution. I do not see it in any other way so do not ask me if any actions will be carried out—they are already being carried out. They have been carried out since this morning.

The missions are part of the diplomatic problem but they are not the diplomatic problem. They are elements of cooperation concerning everything being done by our own embassies, by our media, and what I am telling you. It is an explanation of the activities currently being carried out by the Foreign Ministry. It will continue to carry out these actions because it will not rest a minute, just like it has not rested before this. We have worked day and night here. We have worked in shifts, and we will continue to work at this pace. Thank you very much, ladies and gentlemen.

Foreign Ministry Decries Hostilities

PA2202153595 Quito Voz de los Andes in Spanish 1431 GMT 22 Feb 95

[Press Bulletin No. 138 issued by the Ecuadoran Foreign Ministry in Quito on 22 February]

[FBIS Translated Text] The Ecuadoran Foreign Ministry hereby denounces the fact that the Peruvian Armed Forces are pursuing a systematic plan of hostilities and have maintained an attitude of open disregard for the stipulations of the Itamaraty Peace Declaration. Meanwhile, Ecuador has fulfilled its international commitments with strict (?order) and traditional respect.

The attacks on Ecuadoran detachments over the past few days, the ministry adds, are proof that Peru is hindering the mission of the guarantor countries' observers and attempting to achieve the territorial advantages which thus far its Armed Forces have failed to achieve.

Peru's attacks, which flagrantly violate the Itamaraty Peace Declaration, are supported by an intense domestic and international press campaign originating in Lima, whereby Ecuador is presented as the country that has violated the agreement reached in Brasilia. This campaign also proves that Peru's military incursions are not accidental but part of a preconceived plan.

In reference to the contents of Peru's propagandist press campaign, the Ecuadoran Foreign Ministry concludes by saying that it has been proven to the general public worldwide over the past few weeks that Ecuador has the edge because of the seriousness with which it has acted, and because of the many contradictions presented by the Peruvian Government and its spokesmen.

Foreign Ministry Issues Communique

PA2302025495 Quito Radio Quito in Spanish 0006 GMT 23 Feb 95

[Ecuadoran Foreign Ministry communique; read by announcer—live]

[FBIS Translated Text] The Foreign Ministry reported today new flagrant violations by Peru of the cease-fire agreement for peace signed in Itamaraty on 17 February. In fact, Peruvian patrols today continued their attacks on Tihuinza Base, even with mortar fire, which represents a grave risk that hostilities may be resumed with the same intensity as the attacks that occurred before the agreement was signed.

The Peruvian attacks are much more critical because they occur at a time when members of the guarantor countries's scouting mission are in the sector. These military actions clearly seek to obstruct the mission's work, they threaten the safety of its members, and they seriously jeopardize compliance with the pledges assumed in Brasilia.

The Foreign Ministry yesterday notified the media that Ecuador has offered all kinds of facilities to the scouting mission's members so they may fulfill their role. Seeking to guarantee their safety, yesterday it officially notified the Peruvian Government—through our embassy in Lima—about the mission's trip and itinerary. It even warned that an identification mark would be carried by the two helicopters in which the mission would travel to the area of conflict.

With an unusual and incomprehensible attitude, the Peruvian Foreign Ministry returned the note to Ecuadoran Ambassador Gustavo Ruales, arguing that the

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notification should have come from the guarantor countries—without paying any attention to the observers' safety. All this clearly proves Peru's inconsiderate refusal to fulfill the most elemental obligations within the 17 February agreement.

Given the graveness of these incidents, the foreign minister this morning summoned the guarantor countries' ambassadors to his office, to deliver the original of an official note sent by fax directly to its addressees—the foreign ministers of Argentina, Brazil, and Chile, and the U.S. Secretary of State. In this note, the Ecuadoran Government reports the Peruvian attitude, which could be part of a plan to obstruct the military observers' visit and prevent the verification of compliance with the cease-fire reached in Brasilia.

Today, after the observers' mission had left Coangos, Peruvian forces unleashed a large-scale attack on the Tihuinza positions, which proves this does not simply involve a cease-fire violation, but rather a manifest and total disregard of the peace agreement. This renders extremely difficult the subsequent processes for the achievement of peace in the area.

The foreign minister told the ambassadors that the Ecuadoran forces remain at their posts and are only defending themselves from the Peruvian attacks. He reiterated our country's government has adopted the necessary measures to guarantee the observers' safety, and he issued an appeal so the guarantor countries demanding that the Peruvian Government comply with the cease-fire without delay, because this is the initial step in the agreement.

Finally, Foreign Minister Galo Leoro told them it was necessary that the observers' mission begin its work prior to the foreseen date, 8 March, to prevent further bloodshed due to constant attacks from Peru and to prevent Peruvian patrols infiltrating the zone from using the situtation to consolidate their positions in the area of conflict.

The Foreign Ministry also revealed that the secretary general of the Foreign Ministry this afternoon summoned the Peruvian charge d'affaires to his office, where he was given a note containing the strongest protest from the national government given the recent Peruvian attacks, which represent a flagrant violation of the agreement known as the Itamaraty Peace Declaration. The Ecuadoran deputy foreign minister emphasized to the Peruvian diplomat the contrast that prevails between the facilities and ample cooperation offered by Ecuador to the observers mission, and the aggressiveness shown in its presence by the Peruvian Armed Forces. In the end, he also reasserted the need for the Peruvian Government to faithfully comply with the pledges assumed in Brasilia to achieve peace between the two countries and restore the atmosphere of friendship and understanding that will allow them to finally overcome the impasse that currently prevails between them.

Government: Troops Will Not Concentrate in Coangos

PA2302135395 Quito Voz de los Andes in Spanish 1200 GMT 23 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordoba has stated that Ecuadoran forces will remain firm in the Upper Cenepa until the cease-fire between Ecuador and Peru is verified by the international observers.

Fernandez de Cordoba said that Ecuadoran troops will continue repelling the attacks; therefore they will not begin concentrating in Coangos until there is assurance of a cease-fire.

Use of Toxic Gas by Peruvians Reportedly Confirmed

PA2302050595 Madrid EFE in Spanish 0348 GMT 23 Feb 95

[FBIS Translated Text] Quito, 22 Feb (EFE)—Ecuador has officially confirmed a previous report saying that the Peruvian Army had used toxic gas and flamethrowers in the clashes that took place in the upper Cenepa River area today despite the cease-fire agreement in force for a non-demarcated territory at the common Amazon border. An Ecuadoran Government communique said: "Today we fought all along the Cenepa River valley front against numerous Peruvian troops, which even used toxic gas and flamethrowers against Ecuadoran patrols, which have remained in the same positions since hostilities broke out on 26 January."

In a news conference earlier, Ecuadoran Defense Minister General Jose Gallardo had said he could not confirm whether those gases were indeed toxic.

Quoting a slightly wounded Ecuadoran soldier, the communique added that the Peruvian troops "are desperate because they have not received supplies in three days."

The communique, distributed by the Carondelet presidential building in Quito, is datelined in Patuca, located some 50 km north from the area of the fighting.

"At sundown," the communique added, military sources of the Condor jungle brigade stationed in Patuca "reported fighting all along the front" and that "it had been impossible to determine the number of casualties, dead or wounded, inflicted on the Ecuadoran or Peruvian troops." The communique continued: "Dozens of Peruvian soldiers, wounded or maimed, were taken away from the battlefront after they had fallen victims to the mines that had been laid in the outer perimeter of the positions," which the troops of both countries say are held by their respective troops. The Ecuadoran troops, the document stated, "continue to resist the aggression heroically, the military positions are intact," and Ecuadoran soldiers were "adequately" resupplied in the past

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few hours. "A slightly wounded (Ecuadoran) soldier, who was evacuated from the battle zone this afternoon, said that the Peruvian troops are desperate because they have not been resupplied in the past three days because their helicopters have been unable to overfly the area, which is filled with Ecuadoran missiles."

The document also said that the Peruvian soldiers' morale "has gone down as the result of disease and the destruction of their equipment and uniforms."

The communique finally said: "Several dead Peruvian soldiers were found wearing just an undershirt and shorts, with insect bites and lacerations all over their bodies, a sign of the inhospitable jungle environment." In contrast, "the Ecuadoran troops are resisting with a high professional spirit and courage, bolstered by the feeling that Ecuador is justly defending its territorial rights."

Official Travels To Peru for Prisoner Release Work

PA2302134295 Quito Voz de los Andes in Spanish 1200 GMT 23 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Ecuadoran Foreign Ministry reports that the Ecuadoran Government has dispatched to Lima an official to work on the release of Ecuadorans detained in Peru during the border conflict with that country.

Ambassador Fernando Procel has gone to Lima to discuss the situation of Ecuadorans detained there as a result of the El Condor mountain range conflict, the Foreign Ministry stated in a communique.

Procel, who is director general of humanitarian and environmental affairs at the Ecuadoran Foreign Ministry, will meet with Peruvian authorities to expedite the release of Ecuadoran civilian and military personnel imprisoned there.

Official Denies Business Ties With Peruvian Counterpart

PA2302140395 Quito Voz de los Andes in Spanish 1200 GMT 23 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordoba said that he has no business ties with his Peruvian counterpart, Eduardo Ponce, with whom he waged a tough diplomatic battle in Brazil while negotiating a cessation of hostilities between the two countries.

Fernandez de Cordoba said that his connection with Ponce is limited to the fact that both own apartments in the same Quito building. This cannot be called having a business connection, Fernandez de Cordoba told journalists, adding that the journalists who live in apartment buildings know very well that one cannot chose one's neighbors.

Expedition Said To Confirm Sovereignty Over Cenepa

95p20545

[FBIS Media Note] A 1993 U.S.-Ecuadoran scientific expedition to the area along the Cenepa River comprising Coangos-Base Sur-Cueva de los Tayos confirmed Ecuador's sovereignty over the disputed area, according to an article in Guayaquil EL UNIVERSO on 19 February. The expedition, which was the first ever to survey the region's flora and fauna, was sponsored by the Washington D.C.- based Conservation International Foundation in conjunction with the Ecuadoran Polytechnical school and the Ecuadoran Foundation for Environmental Research, Management, and Education (Fedima). Alfredo Luna, Fedima representative, recounted that, after obtaining the required authorization from the Ecuadoran Armed Forces, "the chief of operations of the Army General Command gave us all the necessary information," including maps of the Condor range and the use of a helicopter.

Coangos detachment was chosen as the expedition's base camp. Luna asserted that the condition of the terrain, including the deforestation of 20 hectares surrounding the detachment, indicated that the detachment had been in place "for over 20 years." According to Luna, the Ecuadoran soldiers who aided the scientists in their investigations were well acquainted with the terrain. "All the trails leading toward the border markers, for example border marker No. 12, were perfectly maintained," he said. "They were very careful to always make sure that the marker was uncovered, so there would be no problems. They never told us to beware of running into Peruvians. There were no stories about Peruvian soldiers in the area except that Peru had only one detachment nearby, Soldado Pastor detachment."

EL UNIVERSO argued that scientific reports from Conservation International and other international expeditions "are totally impartial and should serve as a reference to reinforce the confirmation of Ecuador's sovereignty over the entire Cenepa area."

The article concluded: "In view of the imminent arrival of guarantor nation observers in the Cenepa region, it is imperative, now more than ever, that anyone who has additional tangible proof that the area in question has always been Ecuador's must make it public. In so doing all doubts about Ecuadoran sovereignty will be eliminated."

Presidential Diplomacy Lauded; Guarantors Criticized

95P20533(Internet) Foreign Ministry Gopher in Spanish 15 Feb 95 pp 1-2

[Commentary by Rafael Diaz Icaza from Guayaquil EL UNIVERSO 14 Feb p 6: "Peace Offensive"]

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[FBIS Translated Excerpt] Upon his return from the marathon "peace offensive" among the leaders of Brazil, Argentina and Chile, our president has expressed surprise over the scanty information possessed by the Rio de Janeiro Protocol guarantor countries on the geography of the Ecuadoran-Peruvian frontier zone. They especially lack information on the geographic accidents which made the border demarcation inexecutable.

It looks like those details were left for the specialists on the subject to study and analyze but kept from Latin American leaders including those from the United States, Brazil, Argentina, and Chile.

Why did our diplomatic representatives fail to disseminate such important facts on which to formulate opinions, such as unawareness of the existence of the Cenepa River? The answer to this question may lie implicit in the recent recommendation by a former Ecuadoran foreign minister: "Career diplomats should be present in each of the guarantor countries to disseminate Ecuador's claims of nullity [of the Protocol]. Politicians should not be appointed to diplomatic posts in countries essential to Ecuador!"

It is not that we oppose being diplomatically represented by prominent intellectuals, writers, artists, teachers, humanists, and contributors to our culture whose fame has transcended national boundaries. [passage omitted] We include enthusiastically architect Duran-Ballen among our suitable representatives because of his abilities and unyielding honesty which place him beyond all criticism.

Duran-Ballen does not aspire to reelection but to contribute to the search for a solution which will result in the definitive demarcation of the border with Peru. He seeks to correct past mistakes and omissions made during the failed attempt at demarcation carried out as a result of the imposition of the Rio de Janeiro Protocol.

This man's modest opinion is that the guarantor nations' jurisdiction is almost void. The only thing that would justify its continuation would be a change in attitude among the representatives of the United States, Brazil, Chile, and Argentina. Hopefully their attitude has varied a bit and become more flexible due to the goodwill ambassadors personified by our head of state and our president of Congress.

Paraguay

4 Arrested on Narcoterrorism Charges To Be Deported

PY2302004595 Asuncion ULTIMA HORA in Spanish 22 Feb 95 p 86

[All names as published]

[FBIS Translated Text] Four of the Lebanese and Brazilians who had been arrested by the Paraguayan Police on charges of being allegedly implicated in narcoterrorism have been released by judicial decision. The enforcement of this measure, however, is pending until the Paraguayan justice receives the necessary documents provided for in the 1889 Treaty to process an extradition request filed by the San Isidro Federal Court from Argentina.

The letters rogatory must likewise include a clear identification of the persons wanted, who will also have the opportunity to appeal the extradition process.

Judge Carlos Monges Lopez ruled that, pursuant to Article 54 of Act 1340 on narcotics, the other three detainees implicated in the same case, who have avowed themselves to be cocaine addicts (something which was confirmed in a medical and psychiatric test) will be expelled from the country.

The names of the detainees who have been released are Johnny Moraes Baalbaki, Luis Alberto Nader, Sergio Rodrigo Salem, and Fadi Abdul Kaim Chekair, who are currently held in custody at the Tacumbu penitentiary.

The preamble of Judge Monges' ruling states that there is no evidence or inconclusive incriminating evidence to prove that the Lebanese committed any crime that should be punished with imprisonment. The ruling states: "A judicial resolution can in no way be based on a police report since the latter does not constitute sufficient proof to continue maintaining the confinement measure."

It further states that more substantial evidence is needed to order the preventive detention of an individual.

Deportation

The deportation sentence passed on Mohamad Hassan Alayan, Roberto Ribeiro Ruiz, and Valdirene Vieira Ferguglia is in keeping with the provisions of Act 1340, which stipulates that any foreign drug addict having no permanent residence must be deported.

Judge Monges told ULTIMA HORA newspaper that the extradition of the Lebanese and Brazilians requested by Judge Roberto Jose Marquevich from the San Isidro Federal Court cannot be considered a fait accompli. Judge Marquevich is hearing the Alejandro Jorge Sucksdorf case involving the stockpiling of explosives and smuggling of weapons.

Judge Monges pointed out that "all the documents pertaining to the extradition application must meet the requirements of the 1889 Treaty, which include, as a formal requirement, the clear identification of the wanted persons."

Cuba To Grant Technical Aid on Sugar Cane

PY1802013395 Asuncion ULTIMA HORA in Spanish 16 Feb 95 p 8

[FBIS Translated Text] Legislators making the first official visit by a Paraguayan legislative delegation to Cuba

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have confirmed that the Cuban Government will grant technical assistance to our country in order to industrialize sugar cane production. The assistance will involve Guaira Department Government authorities directly.

Members of the Chamber of Deputies Industry, Commerce, and Tourism Committee traveled to Cuba at the invitation of their Cuban counterpart, the National Assembly of the People's Government Productive Activities Committee, to exchange information on various activities typical of each country.

The Paraguayan legislative delegation visited the headquarters of the Cuban Communist Party, and were received by Cuban President Fidel Castro. Deputy Raul Estigarribia headed the delegation. He said: "We know that Guaira Department's main activity is the production and industrialization of sugar cane. We also know that Cuba uses the best technology available in this area. We are, therefore, sure that their technical cooperation will be extremely valuable to our producers in this field." Estigarribia said this agreement could open the door to other agreements in other areas, and this might be beneficial for Paraguay and Cuba.

Estigarribia said that President Fidel Castro called for the resumption of diplomatic relations with our country because this would permit the transfer of advanced technologies in a bilateral manner.

Informal Exchange

The Colorado Party deputy said: "At present our technical exchange, and if possible our economic exchange, can only be conducted in an informal manner because our two countries do not have diplomatic relations. The Cuban Government is very interested in reestablishing diplomatic relations," Estigarribia said.

The deputy added that "Castro hoped Paraguay would open its doors to Cuba as soon as possible and to all kinds of exchange, because our country is the only one in South America that does not have diplomatic relations with the island."

The national delegation included Authentic Radical Liberal Party Deputy Ludmila Riveros and National Encounter Deputy Gustavo Candia, among others.

Poland's Walesa Visits Itaipu Hydroelectric Dam

PY2202145795 Asuncion ABC COLOR in Spanish 22 Feb 95 p 6

[FBIS Translated Text] Polish President Lech Walesa has made a brief visit to our country. He announced that in the next few months he will send a commercial mission to define areas where the two countries can establish commercial links.

The Polish leader visited Itaipu where he was received by acting President Angel Roberto Seifart, Interior Minister Carlos Podesta, and other high-ranking government officials. Walesa stepped on Paraguayan soil at exactly 1840 and immediately went to level 225 of the dam. After protocol greetings, Walesa and Seifart moved to the visitors' center where the two leaders had a long talk.

At the end of the meeting Seifart said the European leader was very impressed by the efforts at the dam complex to preserve the area's ecology.

Walesa was informed about Paraguay's comparative advantages for foreign investments. The Polish leader on several occasions asked about legal protection for entrepreneurs who might want to invest in the country.

Seifart said Walesa was confident that the establishment of commercial relations is possible in order to bring Polish capital and the transfer of Polish technology.

Walesa said Poland has a large industrial capacity. He added that following the fall of the Communist world this could not be made totally operational, suggesting that some of that capacity might be moved to Latin American countries.

After being briefed about Itaipu's technical details and Paraguay's investment system, Walesa said he will send a negotiating commission to define areas for commercial relations.

Seifart said that Walesa, showing his trust in a commercial understanding, assured him that he will soon return with more time "to sign commercial agreements between our governments."

The Polish leader left at 2000 and traveled to Buenos Aires where he will continue his tour of Southern Cone countries.

Peru

Fujimori: Peru Will Fulfill Itamaraty Agreement

PY2302022495 Lima America Television Network in Spanish 0100 GMT 23 Feb 95

[Live telephone interview with President Alberto Fujimori near Cenepa River at Ecuadoran border by unidentified America tv announcer]

[FBIS Translated Text] [Fujimori, in progress]... peace agreement with the endorsement of the guarantor countries and Peru will faithfully fulfill the agreement.

[Announcer] Mr. President, based on what you are saying we can report that it will be impossible for your delegation to reach Tihuinza.

[Fujimori] On this occasion it will be difficult, risky but we will get to Cueva de los Tayos, and we will try to get to Base Sur tomorrow. We are camping here in complete darkness, we can only see the fireflies but tomorrow at approximately 0430 we will leave for those areas and we hope to raise our flag there. General Vladimiro Lopez Trigoso has arrived in Tihuinza.

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[Announcer] Therefore, there are no problems in Base Sur and Cueva de los Tayos. Our control over those areas is complete. What is happening in Tihuinza? Are we in posession of the terrain, are we getting artillery fire, air attacks from the Ecuadoran forces?

[Fujimori] The latest information I have received is that we are in posession of all the hills but we are under artillery fire, mostly light artillery. This contradicts the Itamaraty peace agreement. Regarding this type of confrontation and the safety required by the observers of the guarantor countries, I can recommend based on facts and evidence that the work of the observers should start in Cueva de los Tayos and Base Sur and that the situation in Tihuinza will probably be clarified in a couple of days.

[Announcer] Mr. President, the Ecuadoran Government is accusing us of attacking them, of being the ones who violated the cease-fire. How can we counteract that accusation?

[Fujimori] Look, when the troops are at machine gun range, that is about 600 meters away, any firing from either of the two sides—and in this case the Ecuadoreans were the ones who fired—can generate an extension of the clashes. It is very regrettable that this occurred when everything was on the right path. But this is no reason for the observers to lose confidence in the Itamaraty Peace Declaration, in the goodwill of the two parties, and particularly in the goodwill of Peru for the fulfillment of the work of the observers which will be fully guaranteed by the cease-fire which exist in Cueva de los Tayos and Base Sur.

[Annoucer] Mr. President, how will the mission of the observers in this zone end if the conflict and clashes continue?

[Fujimori] I hope the guarantor countries will remain firm in their position because we must act within the framework of the Rio de Janeiro Procotol. The OAS and the United Nations have given their full support to the guarantor countries, therefore we must all make a contribution, both Ecuador and Peru, to help the observers of the guarantor countries to fully carry out their task.

[Announcer] Thank you very much Mr. President, good night.

[Fujimori] Good night from the Cenepa River. Greetings to all and my recognition and gratitude on behalf of the nation to the brave soldiers who opened the roads to us here. Thank you very much.

Foreign Ministry Denies Denunciation of Peace Declaration

PY2302013795 Madrid EFE in Spanish 2005 GMT 22 Feb 95

[FBIS Translated Text] Lima, 22 Feb (EFE)—In a meeting with ambassadors of the guarantor countries called urgently by the Foreign Ministry, Peru today denied rumors about its alleged intention to denounce the Itamaraty Peace Declaration.

That possibility was suggested on Tuesday, 21 February, by former Peruvian Foreign Minister Luis Gonzales Posada and picked up by some Lima newspapers, which reported that the government was studying the possibility of "denouncing" the peace document signed in Brasilia on 17 February.

At the end of the meeting, which lasted one hour, Carlos Luis Perez, spokesman of the guarantors and Brazilian ambassador to Lima, said: "We have been informed that the alleged Peruvian intention to denounce the Declaration is groundless."

In addition to Perez, present at the meeting were Peruvian Deputy Foreign Minister Eduardo Ponce, Chilean Ambassador Carlos Martinez Sotomayor, Argentine Ambassador Arturo Ossorio, and U.S. Ambassador Alvin Adams.

Perez added: "We are happy to hear the denial made by Ponce, who has ratified the fact that Peru maintains a positive attitude in relation to our sister nation Ecuador, and that it will maintain this position at all times."

The Brazilian ambassador confirmed that the first military mission of the guarantor countries of the Rio de Janeiro border treaty, signed in 1942 by the conflicting parties, will arrive tomorrow, 23 February, in Peru, and will immediately leave for the town of Piura.

The role to be played by said working group will be restricted to establishing the place for the meeting of another mission which will be charged with surpervising the fulfillment of said peace declaration. "The observers in charge of implementing the agreements approved in Itamaraty will arrive later and will spend more time in the conflict zone," he explained.

Referring to the mutual accusations between Ecuador and Peru of violating the cease-fire, the spokesman said that "that is a matter that will have to be verified in situ by the military observers," and expressed his confidence that the agreement reached "will be fully operational very soon."

The Brazilian ambassador reported that he and his colleagues from the other guarantor countries will accompany the military delegates to Piura, and that said military delegates are now in the Ecuadoran town of Cuenca, where they arrived on Tuesday [21 February].

According to the Itamaraty Declaration, the military observer representatives of the guarantors will oversee the separation of the Peruvian and Ecuadoran forces and will later suggest the border zone that will be demilitarized.

The document establishes that the Ecuadoran forces will concentrate in the Coangos military base, on the western side of the Condor Mountains, while the Peruvian forces

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will stay in the so-called PV-1 [Watch Post One], on the eastern side of the mountains.

Brazilian Envoy Denies Peru To Denounce Accord

PY2202202195 Lima Radio Programas del Peru Network in Spanish 1936 GMT 22 Feb 95

[FBIS Translated Text] Brazilian Ambassador Carlos Luis Coutinho Perez said today that Peru will not denounce the peace agreement signed at Itamaraty. Coutinho Perez also confirmed that the observers from the guarantor countries will arrive in Piura tomorrow.

Coutinho Perez made this comment after meeting with Peruvian Deputy Foreign Minister Eduardo Ponce and the ambassadors of the United States, Chile, and Argentina.

Fujimori, Reporters Arrive at Watch Post One

PY2202225495 Lima Radio Programas del Peru Network in Spanish 2056 GMT 22 Feb 95

[Live telephone relay by Guido Lombardi from Watch Post One at Ecuadoran border to unidentified Radio Programas announcer]

[FBIS Translated Text] [Lombardi] It is now 1556. This is a live report from our Mobil Sat in Watch Post One at the source of the Cenepa River. We just arrived here with a group of Peruvian reporters and photographers from EL COMERCIO, television stations, and of course Radio Programas del Peru. We arrived in two helicopters with President Alberto Fujimori who in good humor asked if we had brought our swim suits. I asked if that meant we could swim in the Cenepa River. Fujimori replied it would be better to go for a swim in Cueva de los Tayos because there was Ecuadoran harassing mortar fire at the source of the Cenepa River and it was not worth taking unnecessary risks. It was really an impressive flight due to the risks involved. Perhaps it was not an unnecessary risk but we flew to Watch Post One right over the tops of the trees. From this height the Cenepa River looks like a harmless river, incapable of creating any conflict. The soldiers are now getting their supplies. President Fujimori is talking with the officers in charge of the command. In a few minutes we will be starting the long walk to Cueva de los Tayos. We do not expect to arrive there tonight. We will sleep in the jungle and we will resume our walk early tomorrow morning to be able to arrive in Cueva de los Tayos at mid morning. Do you have any questions?

[Anouncer] I only want to say that we are receiving your transmission quite clearly. We are very proud of this because I believe this is the first time we have transmitted with the Mobil Sat directly from a far away place like Watch Post One. We would like you to describe the zone where you are now.

[Lombardi] We are surrounded by mountains about 250 meters high. Watch Post One is located in clearing of about 500 square meters with an airfield where two helicopters can land simultaneously. I can see a group of about 150 soldiers who are getting ammunition and weapons, ammunition for rifles and antitank grenades. The military information available is that there is harassing fire by the Ecuadoran forces from Condor Mirador and Coangos against our forces which are at the source of the Cenepa River, that is on the banks of the Tihuinza River. We are in a zone which can be considered a conflict zone. During the last few minutes of the helicopter flight, we flew very low, very close to the tops of the trees, following the Cepena River to arrive here where we are in sight of the top of the Condor Mountain Range which is Ecuadoran territory. Despite this situation, the soldiers' morale is high, they welcome us with great enthusiasm and friendliness. They are ready to cooperate with us in what will be a very interesting expedition about which I will continue to report. We will also report the geographic coordinates of the sites from which we will be reporting. This is all the information I have. This is also the first Mobil Sat transmission for Radio Programas del Peru.

Report From Border on Clearing Ecuadoran Mines, Soldiers

PY2202143695 Lima Radio Programas del Peru Network in Spanish 1325 GMT 22 Feb 95

[Live relay by correspondent Ismael Byron Horna at El Milagro military base in Bagua with unidentified Radio Programas anchorman]

[FBIS Translated Excerpt] [Horna] This is a report from Amazonas Department where the temperature has dropped to 30 degrees [centigrade] due to a heavy rain yesterday. We wish to inform you that the journalists gathered here are about to board a Peruvian Army helicopter that will transport us to the conflict zone, to the theater of operations, to verify how the Peruvian Army and the joint forces of the Peruvian Armed Forces are carrying out an operation to force the Ecuadoran troops still in Peruvian territory to withdraw to their border posts. We have confirmed information that the Ecuadorans are being dislodged by the commando groups Tigre, Chacal, and Depredador. This elite group, comprising 37 to 40 experts in deactivating mines, is clearing the zone using a device that detonates the mines thus safeguarding our soldiers from the serious injuries to the legs when trying to repel the Ecuador army. We will soon have more information on the issue. Do you have any other questions?

[Anchorman] There are a lot of things we would like to know. Ismael, could you tell us where you are going. Are you going to Tihuinza, Base Sur, or Cueva de los Tayos?

[Horna] We wili overfly practically all those posts. We have some classified information which, as you can understand, cannot be revealed yet but we will be authorized at any moment. We can tell you that we are going to Cueva de los Tayos, Base Sur, and also to part of what

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belongs to Tihuinza, that is, to the zone that has been cleared of Ecuadoran mines. This zone, where our Army has set up a camp, will be a center of operations and transmission so that the Peruvian soldiers may advance. It is now starting to rain. I hope we will be able to take off. Yes, we have been given authorization to do so. We are going to wait for a while. I reiterate that we will overfly Base Sur, Cueva de los Tayos, and part of Tihuinza that has already been cleared of mines by this elite group. We will also try to hold direct communications with the operations chief of Watch Post No. 1, aka Chito.

[Anchorman] The idea, then, is to merely overfly the zone.

[Horna] Yes. We will overfly the area to verify how our Army is neutralizing the advance of Ecuadoran troops. The [Ecuadoran] soldiers in the zone are being spotted, detected, even from the Air Force helicopter gunships. [passage omitted]

[Reporter] Ismael, have you witnessed any mobilization of troops or military equipment?

[Horna] That is classified information but we can tell you that there is movement within El Milagro military base. [passage omitted]

'Lost' Ecuadoran Troops 'Surrounded' by Peruvian Army

PY2202185995 Lima Radio Programas del Peru Network in Spanish 1745 GMT 22 Feb 95

[Live telephone relay by correspondent Ismael Byron Horna from the El Milagro military base in Bagua]

[FBIS Translated Text] The Ecuadoran troops that insist on remaining in Peruvian territory have been surrounded in the zone between Base Sur and Tihuinza by Peruvian Army troops. The Peruvian troops have advanced without any problems up to this zone, thanks to the clearing of minefields carried out by an elite group that has since yesterday been making tremendous efforts to safeguard the lives of our brave soldiers.

According to information disclosed by reliable sources, the elite group has managed to clear approximately 30 percent of the minefields, and hopes to clear 50 percent of the mines by approximately 1800 today.

In the meantime, the commando group known as Depredador has spotted a group of, quote, straggled and lost, unquote, Ecuadoran soldiers who had abandoned their radio and telecommunications equipment in the thick jungle as they fled. The Ecuadoran soldiers are trying to hide in the dark swamps of the jungle, and flee in despair when they are detected by the infrared sights of the Depredadors, who are pressuring the invaders until they retreat to their original posts.

This situation clearly reveals that the soldiers, allegedly lost in Peruvian territory, were aware of the peace agreement signed at Itamaraty Palace. Proof of this is the radio and telecommunications equipment they abandoned in perfectly good condition. The Mi-8 Peruvian Army gunship fitted with 192 rockets [preceding word in English] and C5M and C5KO projectiles forced the Ecuadoran troops to retreat at the Y branching, and they were then cornered in the zone between Base Sur and Tihuinza, where they are responding with rifle fire to provoke the Peruvian Army that is neutralizing their advance. We will return with more information from the El Milagro military base, with a temperature of 30 degrees, in Utcubamba Province, Amazonas Department.

Opposition Distrusts Government Talks on Conflict

PY2202201895 Madrid EFE in Spanish 1641 GMT 22 Feb 95

[FBIS Translated Text] Lima, 22 Feb (EFE)—The presidential candidates of the Peruvian opposition do not believe in the Peruvian military victory in the Condor Mountains, and accuse the government of President Alberto Fujimori of keeping the country "misinformed."

Following the criticism by Javier Perez de Cuellar, former UN secretary general and presidential candidate for the Union for Peru, of the "Itamaraty Peace Declaration" signed between Peru and Ecuador on 17 February in Brasilia by which a cease-fire was established, other candidates have followed step.

Perez de Cuellar said that the declaration and the way it was issued "jeopardizes Peruvian sovereignty over a part of national territory that is threatened, and the withdrawal of enemy forces is not equivalent to that of Peruvian forces."

He added that the declaration on the peace agreement does not impose, "as it should, the definitive demarcation of the border" along the remaining 78 kilometers.

Lima Mayor Ricardo Belmont, presidential candidate for the "Obras" Civic Movement, said that he does not believe in the Peruvian military victory in the Condor Mountains, where confrontations continue according to both parties.

Belmont said: "I do not believe in that victory, which has been a retreat. The Ecuadoreans keep attacking us from Coangos, in Ecuadoran territory, and they maintain control of Tihuinza," the post the two nations claim to be theirs, which according to President Fujimori is already in Peruvian hands.

"While Ecuador misinforms the world, Fujimori misinforms the country," the Lima mayor said.

Belmont accused the government of having allowed the Ecuadoran troops to infiltrate for years into the Condor Mountains zone, which has been a common scene for armed confrontations between Peru and Ecuador over several decades.

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The Lima mayor asked Fujimori to visit Tihuinza and plant the Peruvian flag there, which the president said he would do, but he has not yet been able to do so because of the inclement weather prevailing in the zone, which the president defined as "rugged."

Raul Diez Canseco, presidential candidate and secretary general of Popular Action, expressed his concern over the continuation of the border fighting, and asked Ecuadoran President Sixto Duran-Ballen to respect the cessation of hostilities established in the Itamaraty Declaration," [no opening quotation marks as received] signed on 17 February 1995.

Diez Canseco added that if the declaration does not generate the expected results, the Peruvian Government must accuse Ecuador before the guarantor countries of the border treaty signed in 1942—Argentina, Chile, Brazil, and the United States—and the international forums "of its not very serious conduct."

Diez Canseco considered "extremely serious" the fact that Fujimori has not been able to verify in situ that Tihuinza is in fact in Peruvian hands.

Manuel Moreyra, Solidarity and Democracy congressman, from the opposition, said that there is a confusing debate over the future of the negotiations to end once and for all the border problems with Ecuador.

"The confusion stems from the fact that the normal channels are not used to attain a fruitful debate," such as the Foreign Relations Consultative Commission through which the government could listen in an organized manner to the opinions on diplomatic issues.

Nevertheless, Deputy Foreign Minister Eduardo Ponce, who signed for Peru the "Itamaraty Peace Declaration," has asked for a vote of confidence for the government and the Armed Forces, and added that the political game being played by the opposition must not be followed, thus referring to Perez de Cuellar's challenge to Fujimori to debate the peace agreement signed with Ecuador.

Reactions to Peace Agreement Mixed

95P20536A (Internet) DESCO Gopher in Spanish 19 Feb 95

[FBIS Translated Text]

JPC: 'Erratic' Foreign Policy

Ambassador Javier Perez de Cuellar seriously questioned the recent peace declaration of Itamaraty that Peru signed at the time of the cease-fire, thus putting an end to the military hostilities with Ecuador. In a document entitled "Defending the Fatherland" Perez de Cuellar asserted that the accord is an "improper concession putting in question Peruvian sovereignty over national territory." The withdrawal of Peruvian and Ecuadoran troops do not equate because the area from which they are withdrawn is solely in our territory. This, Perez de Cuellar noted, "rewards and encourages aggression."

Perez de Cuelllar was also critical of the fact that the document does not state that Tihuinza, Cueva de los Tayos, and Base Sur are on our territory, and he concluded that Peruvian dominion in the zone had not been reconfirmed. Perez de Cuellar emphasized that by calling our territory "the area of confrontation," a grievous error has been committed because it overlooks the fact that Ecuador invaded that territory and it puts in question our sovereignty over it.

Perez de Cuellar notes that the Itamaraty document "does not address the essence of the Peru-Ecuador divergence," namely the lack of a demarcation of 78 km of the border. He regrets that the document does not include an obligation to complete demarcation of the border, thereby opening for new clashes in the future. "This incident is the result of an improvised and erratic foreign policy. Fujimori's government has presented us with a done deed which compromises the nation's interests," he stated.

Both Sides See 'Inequality'

Ecuador's former President, Rodrigo Borja, called the agreement "unacceptable" because, he said, it signifies the abandonment of three border posts. "I do not agree with the document signed in Brasilia because it means an asymmetrical withdrawal of military forces, to the detriment of Ecuador," the former president said. "The Ecuadoran troops have to withdraw from the encampments at Tihuinza, Cueva de los Tayos, and Base Sur which were so bravely and successfully defended by our soldiers," Borja added. With regard to future discussions to make definitive demarcations of the border, Borja said that it "would be very difficult to negotiate, having abandoned those posts. The Ecuadoran side is definitely disadvantaged." He added that the conflict was reduced to "Tiwinsa, because with our detachments already there, Peru unilaterally declared the 'cease-fire.' Peru was putting on a military effort vastly superior to ours," Borja said.

Elsewhere, Peruvian jurist Diego Garcia-Sayan was critical of the diplomatic agreement between the two countries, saying that the terms of military separation in the declaration left Ecuador at the same border line in Coangos while Peru had to "withdraw within its own territory." Likewise, Henry Pease denounced the peace treaty of Itamaraty as being damaging to Peru's interests and advantageous to Ecuador. He said there was an obvious inequality in the distance of withdrawal for the troops of either side and that this was to Peru's disadvantage. He stated that our country must withdraw its troops to Watch Post 1
, which implies that the border is 30 km inside the country in as much as Ecuador does not retreat at all and remains on its border line.

Editorial Sees 'Shared Victory'

EXPRESO opined
: "The proof of Peru's military and diplomatic triumph

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is not only that Ecuador now had to sign that which for two weeks it rejected, but also the angry domestic reaction in our neighboring country against this signing. No less than former President Rodrigo Borja described the agreement as 'unacceptable' because it signifies, according to him, the abandonment of three Ecuadoran posts. What we accomplished is even more important. We succeeded in point 6 of the peace declaration to 'initiate talks in order to find a solution to the continuing impasses,' which in diplomatic parlance means demarcation. In short, Peru has succeeded in tying the peace agreement to a fundamental solution. This is a military and diplomatic victory, and if it does not please everyone it is because the Ecuadorans and some Peruvians need to reflect on the benefit to them of obtaining for both countries a peace with dignity and honor of lasting value, which in the long term will be the true, shared victory."

Mixed Reactions II

95P20546A (Internet) DESCO Gopher in Spanish
22 Feb 95

[FBIS Translated Text]

Multiparty Delegation to Tihuinza Proposed

Congressman Victor Joy Way (New Majority-Change 90) said that he will ask President Fujimori to form a multiparty commission of the leading members of the various political groups, to be headed by Ambassador Javier Perez de Cuellar, to travel to Tihuinza and verify that this important national territory has been taken back from the Ecuadoran military. "What we need is to celebrate the reestablishment of national sovereignty, not to seek election campaign benefits," Joy Way said. Referring to the former UN Secretary-general's criticism that precise definitions must be established for the position where Ecuadoran troops may be located, Joy Way stressed that this demand was not pertinent because those definitions exist in the Rio de Janeiro Protocol. (Most Lima dailies 21 Feb 95)

Victory 'Nullified'

According to Javier Gonzalez Olaechea, a member of the National Security Commission of the Union for Peru Movement, Peru should not have signed the Itamaraty peace declaration while it contained generalities which did not explicitly and unequivocally specify that the territories of Tihuinza, Base Sur, and Cueva de los Tayos are Peruvian. He said that the government's defense of the declaration is very weak and does not correspond to reality, because "what was accomplished was the withdrawal of our army on our own Peruvian soil, nullifying the presumed military victor." (LA REPUBLICA 21 Feb 95)

Government 'Overly Self-Congratulatory'

Mercedes Cabanillas, Aprista party presidential candidate, said that the peace agreement was signed too hastily, so much so that it was signed while there still were Ecuadoran soldiers in Peruvian territory. - This is not speculation. She stressed that when she was interviewing officials at the El Milagro base in Bagua, military officers told her that Tihuinza was not free of Ecuadoran invaders. This explains why the president of the Republic, the military leaders, and the national and foreign press still have not been able to access that area. The government has been overly self-congratulatory in the mind of the presidential candidate, because the agreement forces us to subordinate ourselves to the guarantor countries' observers. She stressed that by not establishing the coordinates for Tihuinza, Cueva de los Tayos, and Base Sur, it will be very difficult to get Ecuador to admit that the conflict took place on Peruvian territory. (EL MUNDO 21 Feb 95)

IU Wants Recall of Binational Commission

On 20 February the United Left [IU] alliance presented its views on the Itamaraty declaration, saying that it does not oblige the signatory countries to reinstate the Mixed Binational Commission for Demarcation, nor does it order that the Ecuadoran troops be dislodged from the encampments at Soldado Monge and "New Teniente Ortiz." In an announcement signed by the head of its parliamentary list, Javier Diez Canseco Cisneros, the leftist group stated that the document signed in the Brazilian capital does not consider the removal of the Ecuadoran mines placed along the border, nor does it establish adequate guarantees for Peruvian citizens in the north of the country. (GESTION 21 Feb 95)

Belmont Urges Vote for Works

Lima mayor and presidential candidate (Works Movement) Ricardo Belmont said in Ica that he is confident the people "will say no to those who defend principles alien to our country, those who are selling the country piecemeal, and who flagrantly neglected our borders." He was thus alluding to President-Candidate Alberto Fujimori, whom he criticized for having concealed the Ecuadoran invasion from the country, an invasion that started two years ago, and for having reacted belatedly to this infiltration, thereby allowing the enemy to strengthen its hold in the headwaters of the Cenepa river. For these reasons Belmont urged the Peruvian people to vote with their heart and conscience for the government that had the best interests of the country at heart, that wold be truly democratic, and that would recover the national spirit, so enfeebled in recent years. (Most Lima dailies 21 Feb 95)

Business Leader Applauds Cease-Fire

"The peace declaration of Itamaraty is good for the country because it puts an end to an armed conflict that could compromise the economic development of Peru and Ecuador, and it marks the beginning of a definitive solution to the border issue," said Arturo Woodman Pollit, chairman of the Confederation of Private Enterprises. He explained that the peace agreement reinforces

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the function of the guarantor nations of the Rio de Janeiro Protocol to make Ecuador accept the full validity and application of this legal instrument. He also said that the declaration puts an end to a confrontation that could unquestionably have an impact on the economic development in both countries. "I do not think there is a single person who does not agree with an ending to those confrontations which have caused the loss of the lives of brave, young Peruvians," he noted. (EXPRESO 21 Feb 95)

Columnist: Government's 'False Presentation'

Mirko Lauer opined: "Deputy Foreign Minister Ponce wants to convince us that the unequal withdrawal of our troops, the absence of a mention of the bases that supposedly were recovered by Peru, as being Peruvian, the imprecision of the terms used, or the definition of Peruvian soil as territory in conflict, that these are expressions of diplomatic gains. Perez de Cuellar has given the lie to it all. But the Ecuadorans' declarations and actions following the Itamaraty document refute it even more. Ecuadoran President Sixto Duran Ballen has declared that the protocol is inexecutable in the area of conflict. The correspondents say that Ecuador is maintaining its aggressiveness and its presence in Peru. Peru's triumphs are nowhere to be seen. The confrontation with Ecuador can be won, even in the realm of diplomacy. But this will not be possible if the government falsely presents the present disaster as a victory. In military and diplomatic terms nothing could be worse than to base one's actions on a deliberately mistaken perception. There are irresponsible voices that are now beginning to say that the Peruvian reversal does not matter because 'no matter what, the Chinaman will win the election'." (LA REPUBLICA 21 Feb 95)

Editorial Calls Cease-Fire 'Still Unilateral'

GESTION opined (21 Feb 95): "The cease-fire is not being observed by Ecuador which continues its shellings on our territory, and there are clashes between troops of the two countries. Where do the detonations come from that can be heard in the zone? There evidently are 'disorganized' Ecuadoran forces still in the territory, but the same sources claim to have seen helicopters from that country continuing to bring to the area both troops and munitions. All of which makes one assume that the provisioning of these troops, the take-offs of the helicopters, as well as the shellings, come from the base at Coangos at least, if not from neighboring bases. This implies that the conflict has not finished, nor has peace been rees tablished.

But even more serious is the fact that Ecuador may be reinforcing its positions with organized troops while Peru may be allowing this by respecting a cease-fire that continues to be unilateral. This is a qualitative advantage that our country cannot allow.

Even worse, the above-mentioned events are fuelling the arguments of those who have criticized the concessions that Peru made to Ecuador in the aforementioned declaration. For instance, the withdrawal of the invading troops only from Coangos, at the borderline of the two countries' frontier, may have facilitated the shellings and the takeoffs of the helicopters destined for Peruvian territory.

Another thing is that the agreement implies the demobilization of forces in an area of conflict; but since Ecuadoran soldiers are moving within this area the Peruvian forces can only defend Peruvian terrain in a limited and restricted fashion.

We want peace. But a peace full of concessions to the aggressor will only encourage the aggressor to realize new attacks in order to gain other advantages."

Peruvians 'Should Acknowledge Errors'

EL MUNDO opined (21 Feb 95): "It was a great step for Ecuador to accept the intervention of the guarantors. We recognize that. For the first time in many decades Ecuador turns to the guarantors, forgetting its own thesis of nullification. But far from alleviating our doubtsd the situation aggravates. Why was such a propitious circumstance for obligating the guarantors to fulfill their role and for Ecuador to respect the international compromise not taken advantage of? As we know, the mission of the guarantors is not to preserve peace between Peru and Ecuador, but to guarantee the fulfillment and execution of the Rio de Janeiro Protocol. Their peacekeeping is welcome, of course, but it should be regarded as an additional activity, not as the principal or exclusive activity. Finally, it is being said that withdrawing the Peruvian troops to Watch Post 1 was a matter of a strategic issue. Very well, we will accept the thesis. The question is why it was not required for Ecuador to withdraw to a post other than Coangos in order to make the military conditions equal. Whose sensitivity were we afraid of hurting? Peruvians of good faith should acknowledge the errors made."

Columnist: 'Pyrrhic Victory'

Maria del Pilar Tello opined: "In Peru the propaganda about the dubious triumph continues at full steam. The independent national press are making use of their legitimate right to criticize while for the international press located in Lima, Tiwinsa has become a journalistic myth and the visits to Tiwinsa that the chief of state has been announcing have not taken place. The foreign correspondents going to the border received vague answers form the military at Watch Post 1 such as "Tihuinza has been taken geographically but not physically.' Furthermore Ecuador continues to tell the world (a recent communique from its Foreign Ministry confirms this) that its troops are still in Tihuinza, a zone which will not become demilitarized until the arrival of the techno-military commission set up by the guarantors. The lesson learned is that self-congratulation is as ephemeral as it is harmful. As a country we have accepted a declaration of peace that does not ensure any

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harmony, on the contrary, as lucidly spelled out by Perez de Cuellar, it punishes us with a string of interpretations and possible conflicts that add fuel to the flames. It hits you in the eye that we need expert negotiators. Possibly the same experts that left the Foreign Ministry because of a purge the country has paid a high price for. And on the military side, sectors of the military are increasingly showingtheir discontent with a victory—if it exists—that is costly and lamentably Pyrrhic."

Uruguay

Foreign Minister-Designate: Mercosur 'Top Priority'

PY2202220095 Montevideo EL PAIS in Spanish 15 Feb 95 p 7

[FBIS Translated Text] Foreign Minister-designate Alvaro Ramos has emphasized: Our country's basic option involves actively participating in international affairs in order to achieve increased trade benefits, increased regional integration benefits, and increased benefits from the new trade structure being implemented by the GATT through the World Trade Organization. He noted: "Therefore, the Foreign Ministry's work is essential."

Ramos himself reported that he visited the Victoria Plaza Hotel in the morning of 14 February. There, he met Julio Maria Sanguinetti, who formally offered him the post of foreign minister.

Ramos said he accepted the post and exchanged ideas with the president-elect, agreeing on the Foreign Ministry's basic leading role in the Mercosur [Common Market of the South] process, which "has still not been completed as very complex and important negotiations are still unresolved."

Ramos also announced that the Foreign Ministry would pursue strong joint actions with productive sectors to achieve our country's sound development and its participation in the process of integration with our neighbors.

In this regard, Ramos announced that he would implement a "realistic border policy so that the development prompted by the initial Mercosur contacts will benefit the entire country."

Asked about who would be his under secretary, the former vice presidential candidate responded that he has still not made a decision on this issue and that he would resolve it within the next few hours.

Afterwards, Ramos confirmed that Mercosur would be the foreign policy's top priority and that the private sector must clearly understand that it must compete and that the state's mission is to optimize the negotiations conducted by teams of experts.

Concerning the unresolved issues with Argentina, Ramos noted: "There are various issues that we will review in due time. For the time being, I will talk with Foreign Minister Abreu and we will have meetings as of 16 February to agree on the transition."

Sanguinetti's Cabinet Minister-Designates Viewed

PY2302113895 Montevideo LA MANANA in Spanish 14 Feb 95 p 5

[FBIS Translated Text] President-elect Julio Maria Sanguinetti appointed four members of his future cabinet on 13 February. He named Didier Opertti Badan as interior minister, Lucio Caceres as transport and public works minister, Alfredo Solari MD as public health minister, and Samuel Lichtensztejn as education and culture minister.

These appointments should be added to the previous ones, namely Luis Mosca, who received the economy and finance portfolio; and Ariel Davrieux, who is to head the Planning and Budget Office.

Didier Opertti

Interior Minister-designate Didier Opertti Badan is a lawyer with vast experience as a diplomat. From 1979 to 1981, he was director general of the OAS Office of International Law in Washington. From 1988 to 1993, he was Uruguay's permanent representative before the OAS, chairing the Permanent Council.

He is a Colorado Party conventionalist and one of the drafters of the Batlleist Forum's [Colorado Party faction established by President-elect Julio Maria Sanguinetti] Program 2000 [Batlleist Forum's platform] in the area of foreign relations.

Lucio Caceres

Lucio Caceres, the transport and public works minister-designate, is a civil engineer with vast experience in major road projects. From 1977 to 1987, he was chief of Highway Administration Zone VIII and was in charge of the maintenance of more than 1,200 km of national highways. From 1985 to 1989, he was Highway Administration national director. He was technical adviser to the Municipalities of Florida and Durazno.

Caceres is a member of the Colorado Party Departmental Executive Board and has run for the Montevideo mayoralty twice.

Alfredo Solari Damonte MD

Public Health Minister Designate Alfredo Solari Damonte MD has specialized in health services management. He already held the portfolio of public health from 1990 to 1991.

He has also been consultant on health management at several international organizations, including the PAHO, the Inter-American Development Bank, the World Bank, and AID.

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During 1994, he actively participated in the drafting of Program 2000 in the area of public health.

Samuel Lichtenztejn

Education and Culture Minister-designate Samuel Lichtenztejn is a public accountant and has a master's degree in industrial economy from the ECLA's [Economic Commission from Latin America] Latin American Institute of Economic and Social Planning. He has twice been rector of the State University (1972-1973 and 1985-1989) and has vast professional and academic experience.

He was Central Bank deputy manager in 1968, and Economics Institute director and dean of the School of Economics and Business Administration in 1971-1972.

He has been a visiting professor at universities in Spain, Italy, Sweden and several Latin American countries. He has written essays and articles on economic policy, international finance, and higher education.

Pascale Becomes Central Bank Chairman-Designate

PY2202184895 Montevideo EL OBSERVADOR ECONOMICO in Spanish 7 Feb 95 p 4

[FBIS Translated Text] Ricardo Pascale personally announced yesterday that he accepted President-elect Julio Maria Sanguinetti's offer to become Central Bank chairman.

Pascale made this announcement to the journalists after meeting with him at Sanguinetti's offices in the Victoria Plaza Hotel.

The accountant was very careful in making his initial remarks and emphasized that he would not make any additional remarks before having "data and figures" available and before additional meetings with Economy Minister-designate Luis Mosca and Planning Director-designate Ariel Davrieux.

Executive Branch Shuffles Economy, Defense Ministries

PY2202173595 Montevideo EL PAIS in Spanish 16 Feb 95 p 9

[FBIS Translated Text] The executive branch has reshuffled various ministries to finish the last part of this administration's term.

The withdrawal of Ignacio de Posadas from the Economy Ministry to assume his new post at the Senate forced the government to appoint Daniel Hugo Martins, who was the defense minister until now, to the post.

The executive appointed Jorge Campomar as economy under secretary. Campomar's seat will be occupied by Atilio Schiavo.

The executive branch promoted Rodolfo Gonzalez Rissotto, the defense under secretary, to replace former Defense Minister Daniel Hugo Martins.

The government accepted the resignations of National Energy Director Professor Roald Reolon de Leon, and Bernardino Ayala, the National Housing Ministry's secretary director general.

Venezuela

Radio Failure Causes Delay for President's Plane

PA1902162395 Paris AFP in Spanish 1521 GMT 19 Feb 95

[FBIS Translated Text] Caracas, 19 Feb (AFP)—Caracas media confirmed today that President Rafael Caldera and his retinue had quite a scare yesterday when ground radio assistance equipment at the airport where they were landing in Barcelona, 200 km west of Caracas, ceased functioning. Portable equipment was used in the emergency.

According to EL UNIVERSAL, when the presidential plane approached for landing, frequency 118.7 MHz went out.

Radio assistance equipment is ground equipment that emits signals which are intercepted by airplanes and turned into positional information used by pilots and controllers.

Following the alert, all flight control operations were conducted with portable equipment, which permitted a satisfactory culmination of the trip by the chief of state and his cabinet.

Victor Garcia, a member of the National Association of Air Traffic Controllers [Asociacion Nacional de Controladores Aereos—ANCTA] has reported that as of yesterday, 26 sets of radio assistance equipment were out of service throughout country. He noted that 80 percent of the equipment is functioning.

President Caldera went to Barcelona yesterday to dedicate a methanol plant. At 0600 (1000 GMT) on Sunday, the Venezuelan Air Force assumed control of all Venezuelan airports, thus temporarily ending the conflict between air traffic controllers and the government.

Students Riot in Maracay, Valencia

PA2202014195 Paris AFP in Spanish 2311 GMT 21 Feb 95

[FBIS Translated Text] Maracay, Venezuela, 21 Feb (AFP)—University students this Tuesday carried out street demonstrations in Maracay, 80 km west of Caracas, and kidnapped a policeman to exchange him for two students arrested last week when they were participating in an open council meeting, according to various reports.

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These demonstrations took place almost at the same time that students carried out a wild demonstration in neighboring Valencia, an industrial city 100 km west of the Venezuelan capital. Classes were suspended in Valencia.

The students of this city demonstrated for the second day over the death of a fellow student, presumably shot by police.

Students from the Pedagogic School of Maracay and the Agronomy School, a branch of Caracas' Central University of Venezuela, demonstrated on main downtown avenues and set fire to tires. Commercial centers were closed as a result. In the midst of the disturbances, the students kidnapped a policeman and warned that they would release him only after two students arrested last week were released. Journalists reported that late in the evening, this situation had not changed.

According to student leaders, the two arrested students were sent to Caracas security organizations.

Finance Minister Explains Intervened Banks' Situation

PA1702044895 Caracas EL UNIVERSAL In Spanish 16 Feb 95 p 2-1

[Report by Alfredo Carquez Saavedra]

[FBIS Translated Text] The capital flight in the last four banks that were intervened (Italo, Profesional, Principal, and Progreso) amounts to 310 billion bolivares.

Finance Minister Luis Raul Matos Azocar made this statement as he answered one of the questions the Comptroller's Commission of the Chamber of Deputies asked during a closed-door summons held on 15 February, in which the congressmen were briefed on the origins of the financial crisis and on the workings of the financial subsidies.

The aforementioned statement is included in the point entitled "Assessments on the Resources Necessary to Replace the Losses Incurred by Nationalized Banks and Those That Will Be Subjected to This Sort of Process in the Future."

The capital flight of the nationalized banks amounts to 310 billion bolivares. We will have to subtract the proceeds of the liquidations and the sale of these banks' assets from this amount.

As for the expenses that the state might incur in the future as it again takes these type of measures, he pointed out "these measures are difficult to determine, because they will depend on the institution in question and on the structure of its deposits."

Matos also pointed out that both IMF advisers and technicians living in the country agreed that this is the world's most serious financial crisis, because it amounted to 15 percent of the GDP.

Talking about the results obtained in the banks that were intervened and nationalized and in the rest of the institutions, he affirmed that "regarding the banks that were intervened, the process of paying back the deposits for up to 4 million bolivares is almost completed. We have drafted guidelines to prepare intervention reports that may be used as a foundation for the relative decisions on the final outcome of these institutions: their liquidation or their reactivation."

With regard to the banks that were nationalized, Minister Matos maintained that people once more have trust in the institutions that are now operating under this system.

"The recapitalization process is almost complete. The boards of directors were instructed to proceed to reorganize these institutions and implement the reorganization plans the JEF [Emergency Finance Board] approved. Significant steps in the reprivatization process of the Bank of Venezuela have been taken. These banks have increased their production as a result of, among other elements, the deposits transfer process the JEF ordered."

The finance minister added that the other financial institutions "are currently designing a formula that will allow the recapitalization of the Union Bank through private contributions. An adjustment plan for the Federal Bank was also approved in order to recover its solvency."

He maintained that except for these two cases, the repercussions of the prudent guidelines issued by the Bank Superintendency and previously consulted with the JEF, there have been no tangible actions on other entities of the financial system [sentence as published]. Likewise, he maintained that the supervision and control of financial institutions have broadened and that in the case of the banks that were subjected to a capitalization process, it was decided to implement a supervisory system more complete than the one being implemented in the rest of the institutions, "particularly on matters pertaining to managing people's funds."

Finally, he asserted that the Bank Superintendency reports are among the elements considered by the JEF at the time of deciding on the nationalization of the banks. He explained, however, that these measures were adopted "after assuring that shareholders were unable to replace the losses."

Such a measure was always preceded by an evaluation on the comparative costs of each one of the alternatives we had. In all cases, there was an unbearable lack of liquidity due to the people's lack of trust.

Bond Issuance Fails To Absorb Excess Currency

PA1602171295 Caracas EL UNIVERSAL in Spanish 10 Feb p e-1

[FBIS Translated Text] The issuance of Monetary Stabilization Bonds [Titutlos de Estabilization Monetaria—

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TEM], redeemable these past three weeks, failed to collect an excess liquidity of about 39.848 billion bolivares. These funds were added to the currency in circulation when the zero coupon bonds matured.

From the second half of January until today, 179.848 billion worth of zero coupon bonds matured and were distributed as follows: 64.848 billion bolivares on 27 January; 62 billion bolivares on 3 February; and 53 billion bolivares on 10 February.

The Central Bank of Venezuela, BCV, made available on the market 140 billion bolivares worth of TEM's. This issuance managed to absorb 78 percent of the excess currency in circulation generated by the maturation of the zero coupon bonds.

There is a difference of 39.848 billion bolivares circulating in the market, which will place strong pressure on inflation rate increases in February and March.

Official sources said the BCV is aware of the situation and has asked the Finance Ministry to immediately issue TEM's to alleviate the pressure that new zero coupon bonds will generate over the next few weeks.

Defense Minister Views Corruption, Patrol at Border

PA2102011995 Caracas EL GLOBO in Spanish 18 Feb 95 p 2

["Defense Minister: Heavy Hand Against Military Corruption"—EL GLOBO headline]

[FBIS Translated Text] Defense Minister Moises Orozco Graterol denied yesterday the Martial Court has prepared arrest warrants for 13 officers allegedly involved in acts of corruption related to the renovation of AMX-30 tanks by the firm Van Dam.

Orozco Graterol said reports on this matter are completely false "for the time being."

The FAN [National Armed Forces] chief handled this matter in the strictest confidence and only argued he has no idea of what the judge in charge of the case might rule.

Despite his secrecy, the minister said the example set by the FAN as an institution should not be questioned just because there are cases of corruption within it, given that a heavy hand is being used to deal with them.

Defense Minister Moises Orozco Graterol commented on operations carried out by a joint patrol at Boca de Grita, at the Colombian border, which concluded with the arrest of two fuel smugglers: Pablo Morales Duarte, Venezuelan, and Hernan Estupinan, who had no identification documents on him but is presumed to be Colombian.

This incident was reported as a clash between Colombian and Venezuelan troops, which the defense minister categorically denied.

Has Colombia Reacted to This Incident?

Everything happened on Venezuelan territory; we did not invade Colombian territory. This was not a military incident but, rather, a common crime.

The minister denied this incident "could hurt diplomatic relations between the two countries."

Coastal Pollution Control Problems Described

95WN0094A Caracas EL DIARIO DE CARACAS in Spanish 23 Jan 95 p 8

[Article by Victor Escalona]

[FBIS Translated Text] This year, 1995, will undoubtedly be another severe test for the officials of the Ministry of the Environment and Renewable Natural Resources (MARNR) with respect to the pollution of coastal waters. Although a number of presidential decrees have been issued to regulate polluting activities on Venezuela's coasts, there has been no entity to enforce these regulations, despite the fact that the coastal region is one of the scenic resources that could bring the greatest benefits to the country.

According to studies conducted throughout 1994 by experts at the General Office of Environmental Quality of the MARNR, "Venezuela faces serious problems of coastal water pollution, produced primarily by the accelerated urban and industrial development of the country's coastal region, in addition to the development of intensive fishing activity. The latter has led to the installation of large fish canneries, and as a result there is a high level of pollution."

This conclusion by the experts at the MARNR is nothing new, since this problem has been the battle cry of conservationist groups for many years. Nevertheless, the observation of Environmental Quality experts might have been different if the MARNR authorities had enforced existing standards, including at least four presidential decrees, designed to control activities likely to be detrimental to water resources.

So far the MARNR has brought about a series of decrees aimed at controlling water pollution. Among them are Decree 2221, dated 4/23/92, which refers to "Standards for the Classification of Waters and Pollution Control in the Lake Valencia Basin"; Decree 2222 of 4/23/92, covering "Standards for the Classification of Waters and Quality Control of Liquid Waste in the Lake Maracaibo Basin"; Decree 2224, of 4/23/92, on "Standards for the Regulation of Liquid Waste Discharges Into Bodies of Water"; and Decree No. 125 of 4/13/94, which deals with "Supplementary Standards for the Gradual Adaptation of Activities Generating Liquid Waste To Meet Environmental Quality Parameters."

In addition to these decrees, the MARNR is also developing comprehensive cleanup programs in various coastal regions of the country, including the Central

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Coast Cleanup Program in the municipality of Vargas in the Federal District, and the Northeastern Coast Cleanup Program, developed in the coastal region of Anzoategui and Sucre States.

These decrees and cleanup programs are supported by physical-chemical and bacteriological testing activities, which not only serve as a point of reference in terms of the degree of pollution, but also can be used to inform the public which beaches are suitable for human recreation and which are not.

More Factories Than Controls in Central and Eastern Regions

According to a report written by the MARNR's Environmental Quality Office in November 1994, the Northeastern Region, encompassing Anzoategui and Sucre States, has a coastline of approximately 150 kilometers that is vulnerable to pollution from discharges of household sewage, the petroleum and petrochemicals industry, vehicle assembly activities, alcohol distilleries, sugar refineries, and the largest fish canneries in the country.

The Central Region, which encompasses the States of Miranda, Aragua, Carabobo, and the Federal District, consists of about 200 kilometers of territory that has its own characteristics: "accelerated, destructive, and anarchic urban-industrial development, which highlights and aggravates the most complex and diverse environmental problems, while at the same time the quality of life of local residents continues to deteriorate," says the MARNR report.

In this region, according to the report, the essential elements of the nation's manufacturing industry are all present, as it has the most diversified productive apparatus. The area considered the most susceptible to pollution is the Moron-Puerto Cabello hub, where the pulp and paper industry predominates. This industry dumps poorly treated waste into the Caribbean Sea.

The petrochemicals industry also has a presence in this region, and its processes pose a high risk to the environment. Effluents include substances such as sulfuric acid, ammonia, fertilizers, and chlorine-soda (already broken down, given its high potential for pollution). This industry, says the MARNR, has a central treatment system that discharges waste into the Caribbean Sea through a pipe.

Other industries include the manufacture of military explosives, the manufacture of soap for household use (which is now moving to another area), the refining of vegetable oil, large-scale tourism, and the generation of thermoelectricity.

Refineries and Tanneries in Northwestern Region

Zulia, Falcon, and Yaracuy have also fallen victim to accelerated industrialization. The first of these states has the biggest coastal pollution problem.

Although the State of Zulia has a number of programs in place to clean up the waters of Lake Maracaibo, so far it has not managed to restore the lake to health, which is the goal of the Institute for the Conservation of Lake Maracaibo (Iclam).

The main activities that have damaged the Maracaibo coastal region are: oil drilling and transportation, the large-scale petrochemicals industry, tanneries, petroleum arriving from Colombia through the tributaries of Lake Maracaibo, and household sewage generated by the second-most densely populated urban area in the country.

Closer to here, on the coast of Falcon State, the Caribbean Sea is affected by two oil refineries located on the Paraguana Peninsula; by cement plants, which also cause air pollution problems; and by large-scale tourism, which has contributed to the expansion of infrastructure such as hotels, clubs, campgrounds, and marinas.

And although the State of Yaracuy is not located in the coastal region, its main river, the Yaracuy, discharges great quantities of pollutants from activities carried out in the river basin, such as sugar refining, tanneries, large-scale sugarcane cultivation, the pulp and paper industry, alcohol distilleries, food processors, and the ceramic industry.

More Control by MARNR

In view of the unstoppable urban and industrial development that is becoming more and more widespread in the coastal region, one action that the MARNR promises is the evaluation of possible pollution problems that could come from the new industries cropping up every day along the Venezuelan coast.

For this purpose, the MARNR has another legal tool, Decree 2213, dated 23 April 1992. It provides for Environmental Impact Studies, which are called for in the Partial Regulations of the Organic Law on the Environment. According to these regulations, any business that decides to undertake an industrial project must conduct a technical study to determine the likelihood that its business activities will pollute the environment.

Failure to comply with the decree triggers government sanctions and the mandatory prohibition of the industrial activity in that area.

Once again, the MARNR has the necessary authority and must demonstrate the effectiveness of so many decrees. It will also have an opportunity to enforce the Criminal Law on the Environment.

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